

About CDIC

The mission of the Canada Deposit Insurance Corporation (CDIC) is to serve Canadians by protecting deposits, by being prepared to resolve its member institutions, and by promoting financial stability.

The following four objects in the Canada Deposit Insurance Corporation Act (the CDIC Act) define CDIC's mandate:

- To provide insurance against the loss of part or all of deposits.
- To promote and otherwise contribute to the stability of the financial system in Canada.
- To pursue these objects for the benefit of persons having deposits with member institutions and in such a manner as will minimize the exposure of the Corporation to loss.
- To act as the resolution authority for its members.

Eligible deposits are automatically covered to a limit of \$100,000 per insured category at each CDIC member financial institution. Members include banks, federally regulated credit unions, as well as loan and trust companies.

We are funded by premiums paid by our member institutions and do not receive public funds to operate.

Since its creation by Parliament in 1967, CDIC has handled the failure of 43 member institutions, protecting \$26 billion in insured deposits held by more than 2 million Canadians. Throughout these 43 failures, the last in 1996, no Canadian has lost a single dollar of their insured deposits.

CDIC's vision

Earning the trust of Canadians as the global leader in deposit insurance and resolution.

For more information about CDIC

Visit our website at www.cdic.ca. You can also reach us by phone, e-mail or letter:

Head office

Canada Deposit Insurance Corporation 50 O'Connor Street, 17th Floor Ottawa, Ontario K1P 6L2

Toronto office

Canada Deposit Insurance Corporation 1200-79 Wellington Street West P.O. Box 156 Toronto, Ontario M5K 1H1 Toll-free telephone service: 1-800-461-CDIC (2342) TTY: 1-800-465-7735 Website: www.cdic.ca

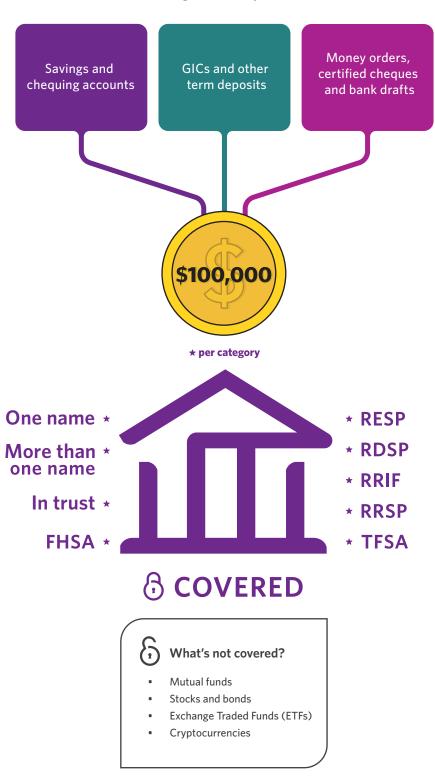
E-mail: info@cdic.ca



Catalogue number: CC391-1E-PDF

CDIC Deposit Insurance Coverage

Eligible deposits can be held in Canadian dollars or in a foreign currency, and include:



Five-year financial and statistical summary

| For the years ending March 31 | | 2022 | 2021 | 2020 | 2019 |
|---|-------|-------|-------|-------|-------|
| Selected statement of financial position items (C\$ millions) | | | | | |
| Cash and investments | 8,139 | 7,284 | 6,493 | 5,735 | 5,036 |
| Provision for insurance losses | 2,100 | 1,900 | 2,650 | 2,250 | 2,050 |
| Retained earnings | 6,031 | 5,383 | 3,842 | 3,480 | 2,985 |
| Selected statement of comprehensive income items (C\$ millions) | | | | | |
| Premiums | 815 | 772 | 739 | 668 | 645 |
| Investment income | 125 | 93 | 90 | 86 | 66 |
| Total revenue | 940 | 865 | 829 | 754 | 711 |
| Operating expenses | 81 | 68 | 60 | 51 | 43 |
| Increase (decrease) in provision for insurance losses | 200 | (750) | 400 | 200 | _ |
| Income tax expense | | 6 | 7 | 9 | 6 |
| Total comprehensive income | | 1,541 | 362 | 494 | 663 |
| Member institutions (number) | | | | | |
| Domestic banks and subsidiaries | 53 | 53 | 53 | 54 | 53 |
| Subsidiaries of foreign financial institutions | 16 | 15 | 15 | 15 | 16 |
| Domestic trust and loan companies and associations | 15 | 15 | 15 | 15 | 14 |
| Federally regulated credit unions | 2 | 2 | 2 | 2 | 2 |
| Total number of institutions | 86 | 85 | 85 | 86 | 85 |
| Total insured deposits ^a (C\$ billions) | 1,082 | 1,025 | 968 | 852 | 807 |
| Growth rate of insured deposits (%) | 5.6 | 5.9 | 13.6 | 5.5 | 4.3 |
| Ex ante funding (C\$ billions) | | 7.3 | 6.5 | 5.7 | 5.0 |
| Basis points of insured deposits | | 71 | 67 | 67 | 62 |
| Borrowing limit (C\$ billions) ^b | 32 | 30 | 28 | 25 | 23 |
| Basis points of insured deposits | 277 | 293 | 289 | 293 | 285 |
| Permanent employees (number) ^c | 176 | 167 | 165 | 135 | 116 |

^a Insured deposits are calculated as at April 30 of each year. The amounts presented for the years ended March 31 are therefore reflective of the prior year's April 30 calculation and include insured deposits of new member institutions during the fiscal year, where applicable.

b Under the CDIC Act, CDIC has the authority to access additional funds through borrowing, subject to ministerial approval. The borrowing limit is indexed to the growth of the volume of insured deposits.

^c Represents the number of full-time, permanent employees at year end.

The year at a glance—in 2022/23...

- CDIC's membership numbered 86 members. Deposits insured by CDIC increased 5.5% year over year to \$1,082 billion as at April 30, 2022.
- As part of its work to ensure CDIC's deposit insurance framework remains modern and effective, CDIC completed public consultations on the modernization and sustainability of the Differential Premium System and the ex ante fund. CDIC released a "What We Heard" summary in January.
- Public awareness of deposit insurance reached a record level of 64% in Q4. CDIC also evolved
 its Public Awareness Strategy to increase the focus on reaching women and other groups where
 awareness levels are lower with positive results. Awareness is up to 55.5% among women, and
 reached 60.6% among francophones, which is within the target range for the first time.
- The multi-year Payout Modernization project continued to progress in 2022/23. Development activities have been completed for the first phase of the project, with acceptance testing ongoing. This first phase focuses on an integrated solution to support the depositor data platform and to support strengthened verification of industry compliance with CDIC data standards. Since the inception of the program, the completion date for the first phase was extended by two quarters owing to a tight labour market affecting contractor delivery.
- CDIC's Simulations Centre of Excellence conducted four exercises to enhance crisis readiness among CDIC staff, key stakeholders, and third-party firms. For the first time, CDIC expanded participation in simulation exercises to include external stakeholders as part of its Bail-In simulation.
- In June, CDIC issued <u>guidance</u> to the domestic systemically important banks (D-SIBs), as per the <u>Resolution Planning By-Law</u>, outlining the expectations and requirements for the development and maintenance of their resolution plans and establishing a process for the assessment of their plans.
- CDIC has been leading and contributing to the International Association of Deposit Insurance's
 (IADI) review of the Core Principles for Effective Deposit Insurance Systems, the international
 standards for deposit insurance. CDIC has also responded to over 25 requests for technical
 assistance from IADI jurisdictions seeking to develop or enhance their deposit insurance system.
- Through its Cyber Security Strategy, CDIC has strengthened its systems by implementing automated patch and vulnerability management systems, and onboarding new third-party partners to broaden its threat monitoring and incident response capabilities.
- CDIC evolved its hybrid work strategy through continued experimentation. At year end, CDIC launched a second experimentation phase of hybrid work, with 40%-60% of time in office to support collaboration and teamwork. CDIC will continue to experiment with premises design and the deployment of new, collaborative technologies.
- CDIC achieved official certification as a Great Place to Work® by providing a great employee experience, and given employees' high engagement and pride in CDIC and its mandate.
- Through its Diversity, Equity, and Inclusion Strategy, CDIC is working to create a culture that is
 representative of the Canadians it serves. As of 2022/23, CDIC meets or exceeds representation
 of women and visible minorities in its work force, with 67% of its Corporate Officers identifying
 as women. CDIC also has initiatives in place to build representation in other designated groups.
- In 2022, the CDIC Act was amended to include the CEO as a Director on the Board to align
 with best practices and with the Boards of other Crown corporations and financial institutions.
 The CDIC Act was also amended to add one new private sector position to the Board of Directors
 to ensure balance between public and private sectors.



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Message from the Chair



Canada's financial system is sound, resilient, and well-regulated. However, the events of the past year have reminded us that things can change in an instant. Canada's health organizations believe the worst of the pandemic is over, but Canadians from coast to coast to coast continue to feel the economic impact.

CDIC's risk environment also continues to evolve. The number and complexity of cyber threats facing financial institutions have increased. The ultimate impact of financial innovation, like open banking, fintech and stablecoin, is still unclear. And advances in technology and communications are occurring at light speed. The recent bank failures

in the U.S. and Switzerland are a prime example of how quickly instability can take hold. This has prompted a wide-ranging conversation on deposit insurance.

These events and emerging trends have underscored the importance of CDIC's role in protecting the hard-earned savings of Canadians and promoting financial stability. Despite the evolving landscape, CDIC delivered on its principal corporate objectives in 2022/23, demonstrating it is well-positioned to handle any crisis.

The Board of Directors oversees CDIC and its ability to deliver on its mandate and meet Canadians' expectations. In these uncertain times, it is imperative that CDIC be a leading-edge organization. CDIC continued to make great strides over the past year to make its programs and practices even more responsive to changes and emerging risks. This includes modernizing its operations and exploring how financial innovation and technology impacts Canadian depositors, including enhancing effective communication channels. It also includes honing its readiness to respond quickly and seamlessly in the event of a bank failure or financial crisis.

As in previous years, the Board once again actively participated in a number of robust simulations and testing exercises. These exercises are extremely valuable as the Board and Management must work seamlessly together in a crisis, with complete clarity of roles and responsibilities. They also afford the Board the opportunity to share its expertise and perspectives.

Over the past three years, CDIC has embarked on the development and implementation of an Enterprise Risk Management (ERM) Framework. Significant progress has been made; there is still work to be done. By having a strong risk culture guided by the Framework, risks can be seen as opportunities.

The Board is also engaged to ensure CDIC's adoption of Environmental, Social and Governance (ESG) principles. CDIC has been developing its inaugural ESG Strategy, which will help communicate the many ESG-related activities underway at CDIC. In addition, the Board was pleased to meet with CDIC's employee-led Inclusion Advisory Panel to deepen its understanding of diversity, equity, and inclusion matters and to open the lines of communication at all levels.

In closing, I want to congratulate Leah Anderson on her appointment as CDIC's President and CEO for the next five years. She has led and steered this important organization on an interim basis since August 2021, during one of the most complex and challenging periods in the history of our country. On behalf of the Board, we look forward to working with her to build on CDIC's strong record as we face new challenges and opportunities in the coming years.

I also want to thank CDIC's employees for all their hard work and dedication. They are the foundation of this organization and proof that having the right people in the right roles at the right time is paramount. The Board has every confidence that, going forward, CDIC is well-positioned to protect the savings of Canadians in any environment.

Robert O. Sanderson

Sudochilo

Message from the President and CEO



Since my appointment in 2021, it has been an honour to lead CDIC and deliver on its mandate to protect Canadians' hard-earned savings, and uphold financial stability. On April 24, 2023, the Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance, announced my appointment as CDIC's President and CEO for a five-year term. I am grateful for the opportunity to continue serving Canadians in this role in a rapidly evolving, dynamic financial system environment.

As I reflect on the past year, I am struck by the acceleration, amplification, and convergence of a range of risk factors in the global environment and their implications for Canada's financial system, CDIC and its member

institutions. These risk factors include geopolitical tensions, climate risk, cyber risk, inflation rates, higher borrowing costs, and high household indebtedness.

The good news is that, even in the face of these risks, Canada's banking system is sound, resilient, and well-positioned to weather the challenges ahead. However, we cannot be complacent. As recent events have shown, there continue to be novel and unprecedented risks on the horizon.

While the U.S. has a different regulatory and supervisory context than Canada, the recent banking failures in the U.S. highlight several important lessons: how quickly a bank can deteriorate once faced with financial difficulty; how social media and fast payment transaction systems can speed up bank runs; and how a bank's distress may have systemic consequences, even if it's not considered systemically important.

The environment requires CDIC's continued vigilance in risk assessment, as well as in resolution planning and testing of plans and capabilities to maintain crisis management preparedness. It also underscores the critical role of deposit protection in supporting public confidence in the banking system and, in turn, financial stability.

Despite these challenges and uncertainties during CDIC's 2022/23 planning period, the Corporation delivered on its mandate to Canadians and achieved its three corporate objectives: to be resolution ready, to reinforce trust in depositor protection, and to strengthen organizational resilience. This Report provides an overview of those significant achievements.

Being resolution ready

One of the cornerstones of our preparedness is robust resolution planning and testing of plans through CDIC's Simulation Centre of Excellence. We conduct simulations on a regular basis to test our resolution tools, response speed, and overall coordination in the rare event of a bank failure or financial crisis.

This year's simulations included financial institutions and external experts in banking, law, and mergers and acquisitions to pressure-test a wide range of scenarios. One involved a bail-in resolution with external stakeholders to test CDIC's capacity to temporarily take over and recapitalize a systemically important bank by converting its debt instruments into common shares.

Another simulation focused on a cyber threat, which is not traditionally financial in nature, but can affect a member institution's continuity of service.

Being resolution ready also means having the necessary funding in place. In 2022, we established a near-term target level for our deposit protection fund (i.e., ex ante fund) to exceed 85 basis points of insured deposits by 2026/27. This target will guide CDIC's annual premium rate setting for member institutions and will be reviewed every five years, at a minimum.

We also wrapped up a consultation last fall with our members to modernize and improve the effectiveness of our Differential Premium System (DPS). I would like to thank the respondents for their constructive input. The goal of the DPS is to ensure a strong risk-based funding framework that supports the sufficiency of the ex ante fund. We will share a summary of feedback, along with a timeline for implementing changes, in the year ahead.

Reinforcing trust in depositor protection

Public confidence and financial stability go hand in hand, especially in an age when deposits can be moved from one financial institution to another with a simple tap or click. Research shows that one of the best ways to reinforce trust in deposit protection is to ensure depositors are aware of it and how it works.

Thanks to CDIC's long-standing and comprehensive public awareness strategy, public awareness of deposit insurance among Canadians reached record levels this year. This proved to be critical when news broke of banks failing in other jurisdictions in March 2023. Although public confidence was high, these events naturally heightened Canadians' interest in deposit insurance in Canada, including how and where to find information about whether their deposits are protected.

CDIC was able to respond quickly by increasing its existing advertising presence in the market, answering inquires from Canadians and the media, and promoting our website and information from member institutions. CDIC will launch a new three-year public awareness strategy in the coming year that will build on this strong foundation of awareness to deepen people's understanding of deposit insurance coverage.

CDIC also made good progress on its Payout Modernization project, which aims to build a new state-of-the-art system that will reimburse depositors quickly and more conveniently in the rare event of a member failure. The system will also allow depositors, member institutions, and nominee brokers to communicate with CDIC and share/receive data more quickly, easily, and securely.

Strengthening organizational resilience

CDIC's most critical resource is its people. We cannot deliver on any of our objectives without a skilled and engaged work force that reflects the population we serve.

This year, CDIC continued to attract top talent in a tight labour market, while investing in the skills of existing staff. We made progress on our Diversity, Equity, and Inclusion Strategy in partnership with CDIC's Inclusion Advisory Panel, comprised of employees at all levels. We also scaled up our wellness programs and improved our workplace policies, including against harassment and violence. The results are clear: when our employees feel safe and supported, they thrive and do their best work.

I am proud to report that CDIC was certified as a "Great Place to Work" by the Great Place to Work® Institute Canada this year. This certification is based on direct feedback from employees. It benchmarks CDIC with best-in-class employers. It also reflects our vibrant and thriving workplace, inclusive culture, and the passion and pride employees have for their work.

Conclusion

In closing, I would like to thank our dedicated and talented staff for helping to advance CDIC's priorities during another challenging, but very rewarding and productive, year. I also want to thank the Board of Directors for its fearless leadership, support, and guidance.

Looking forward to the year ahead, it is clear we can expect further challenges and uncertainty. When that happens, I am confident CDIC is prepared to protect Canadians' hard-earned savings and uphold financial system stability.

Leah Anderson

Lead Anderson



Part 1 Management's Discussion and Analysis

CDIC's operating environment

Economic environment

During 2022/23, the global macroeconomic environment exhibited mixed performance despite the loosening of COVID-19 related health protocols around the world. Across most major economies, inflation peaked and has begun to decrease incrementally following monetary policy tightening. Recent banking sector stress in the United States and Europe caused temporary uncertainty in financial markets. Despite the challenging conditions of higher interest rates and recent international stress events, overall CDIC's membership remains resilient, while posting acceptable profitability and loan performance, and adequate liquidity and capital ratios.

Going forward, headwinds to the economic environment remain and warrant continued monitoring. Monetary tightening over the past year has resulted in material increases in interest rates which have yet to work their way through the financial system. Further, declining real wages, elevated costs of living, and higher debt service costs are placing a strain on household balance sheets and cash flows. Businesses are also facing uncertainty, including ongoing labour and skills shortages, and higher borrowing and input costs.

CDIC continues to monitor the resilience of its member institutions and remains focused on being ready to resolve member institutions, if necessary.

Regulatory environment

The Canada Deposit Insurance Corporation Act (the CDIC Act) was subject to several amendments in 2022/23, resulting from the Budget Implementation Act, 2022, No. 1, which received Royal Assent in June 2022, and the Fall Economic Statement Implementation Act, 2022, which received Royal Assent in December 2022. These amendments included:

- Strengthening CDIC's corporate governance by adding CDIC's President and CEO and one new private sector Board position to the Corporation's Board of Directors.
- Expanding CDIC's deposit insurance coverage to include separate coverage for eligible deposits held under the newly created First Home Savings Account (FHSA). Coverage for FHSAs became available as of April 1, 2023.

Previous amendments to the CDIC Act were also implemented in 2022/23. On April 30, 2022, the following changes to expand and strengthen deposit insurance came into effect:¹

- Extending separate coverage up to \$100,000 for eligible deposits held under Registered Disability Savings Plans (RDSPs) and Registered Education Savings Plans (RESPs).
- Removing separate coverage for deposits in mortgage tax accounts.
- Introducing an enhanced set of requirements for deposits held in trust.

For more information, please see "Changes to expand CDIC deposit protection now in effect" at: www.cdic.ca/newsroom/news/changes-to-expand-deposit-protection-now-in-effect

CDIC is continuing its work to modernize the Differential Premium System (DPS) and *ex ante* funding framework. Throughout 2022/23, CDIC completed consultations with industry stakeholders and provided final recommendations to its Board of Directors. The goals of the reviews are to ensure that: the DPS continues to incentivize appropriate behaviours through classification of members on the basis of the risk they represent to the *ex ante* fund and CDIC's ability to execute its functions; and the *ex ante* fund target remains appropriate.

Budget 2023 announced that the Government may amend the CDIC Act to provide expanded authorities to increase deposit insurance and related measures in the event of a market disruption.

Annual Public Meeting

CDIC held its 2022 Annual Public Meeting (APM) as a bilingual live webcast on November 3, 2022. Under the theme Facing the future: How preparedness is key to protecting depositors, CEO Leah Anderson was joined by the CDIC Chair of the Board, Bob Sanderson, to discuss strategic highlights in building and maintaining CDIC's state of readiness and reinforcing the importance of, and trust in, deposit insurance in a complex and uncertain environment.

The APM is an opportunity for CDIC to update Canadians on its activities and to answer any questions from members of the public attending online or via social media. CDIC plans to hold its next APM in the fall of 2023.

Corporate environment

Alongside the current economic and regulatory conditions, CDIC continues to confront ongoing shifts in the financial industry and in the workplace itself.

Digitalization

In response to accelerating digitalization in the financial sector, CDIC is working proactively to ensure that the deposit insurance and resolution frameworks, as well as CDIC's operations, remain fit for purpose.

Digitalization also has implications for how Canadian depositors access their money and for the security of their data against cyber threats. To maintain depositor confidence, CDIC is transforming its technological capabilities to increase the speed, security, and convenience of access to insured deposits in the event of a member failure. As part of this work, in 2022/23, CDIC continued the development of its Payout Modernization project, which, when completed, will ensure that CDIC has a state-of-the-art ability to reimburse depositors if a member institution is closed.

CDIC is participating with the Department of Finance and other financial sector agencies in the Government of Canada's financial sector review on the digitalization of money, announced in Budget 2022. Budget 2023 reaffirmed the Government's intent to continue to work with safety net partners to advance the review and to bring forward proposals to protect Canadians from the risks of crypto-asset markets. Deposit insurance coverage and the eligibility of digital products is an important component of this review.

The Workplace of Tomorrow

The COVID-19 pandemic accelerated fundamental shifts in how people work, what they want from their workplaces, how organizations need to adapt, and what it means to lead. To support its staff, strengthen its culture, and attract and retain top talent, CDIC has developed the Workplace of Tomorrow strategy.

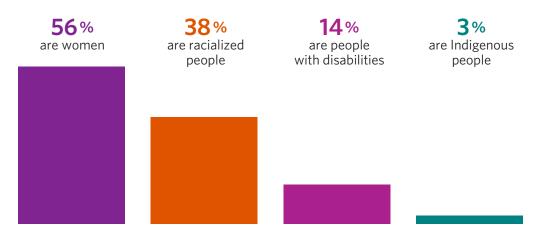
As part of its Workplace of Tomorrow strategy, CDIC evolved its hybrid work strategy through continued experimentation. At year end, CDIC launched a second experimentation phase of hybrid work, with 40%-60% of time in office to support collaboration and teamwork. CDIC will continue to experiment with premises design and the deployment of new, collaborative technologies.

With competition for talent at an all-time high, CDIC is also developing new strategies to attract top talent in a tight labour market with fewer qualified candidates available, while also working to retain and engage existing staff. A key part of this work is creating an inclusive work environment. In 2022/23, CDIC achieved official certification as a Great Place to Work® by providing a great employee experience, and given employees' high engagement and pride in CDIC and its mandate.

Diversity, Equity, and Inclusion Strategy

CDIC is dedicated to having a work force that is representative of the Canadians it serves because diverse voices make CDIC a better organization. Through its Diversity, Equity, and Inclusion Strategy, the Corporation recognizes that building an inclusive environment requires committed leadership. CDIC's senior leaders share a common performance objective in this regard and CDIC meets or exceeds representation of women and visible minorities in its work force. In addition, 67% of CDIC's Corporate Officers identify as women. CDIC also has initiatives in place to build representation in other designated groups. Inclusion will remain at the heart of CDIC's strategy for the Workplace of Tomorrow.

Self-reported gender and diversity at CDIC



Data are collected through a voluntary self-identification form available to all employees. This graphic is based on survey responses from CDIC employees collected in Q2 of fiscal 2022/23.

Sustainability

This year's Annual Report includes CDIC's inaugural set of disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The full TCFD reporting is included in Appendix A of this Annual Report. These disclosures will evolve over time with greater information, data and lessons learned. As outlined in the disclosures, CDIC has taken the initial step of measuring our operational greenhouse gas emissions inventory as a baseline for informing emission reduction efforts that could contribute to the Government of Canada's commitment to achieve net zero emissions by 2050.

CDIC membership

As at March 31, 2023, CDIC had 86 member institutions.

Overall, CDIC's membership delivered solid financial results, with adequate capital and liquidity ratios. From a macroeconomic perspective, during the year the banking sector continued to be exposed to the risks associated with elevated house prices and household indebtedness amidst a backdrop of increasing inflation. These risks underscored the need for CDIC to maintain its focus on monitoring the risk environment in order to be prepared to respond rapidly if members experience financial difficulty.

Insured deposits

As at April 30, 2022 (the annual date on which insured deposits are calculated for insurance premiums), deposits insured by CDIC increased by 5.5% year over year to \$1,082 billion, representing the vast majority of personal deposits. Insured deposits continue to be a highly valued, cost-effective and stable source of funding for member institutions.

CDIC member peer groups

Member institutions consolidate to 54 member groups on the basis of affiliation with a parent. For the purpose of analysis, each member institution or member group is assigned to a peer group based on similar size, and/or its primary business activities. These peer groups are:

Domestic systemically important banks (D-SIBs)includes the largest six banks designated by the Office of the Superintendent of Financial Institutions (OSFI) as being of systemic importance domestically

Residential—main business line is residential mortgages

Commercial—main business lines are business loans or commercial mortgages

Consumer—main business lines are retail consumer loans or credit cards

Fee Income—revenues are largely derived from services and related fees, although these members do not necessarily operate in similar business lines

Member institution financial results

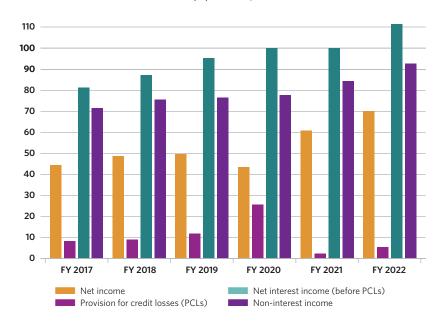
CDIC members earned a total net income of \$70.0 billion in 2022. Higher profits for the membership were attributable to higher net interest and non-interest income. Net interest margins increased slightly, while non-interest expenses remained elevated.

Provisions for credit losses (PCLs) increased to \$5.6 billion, driven mainly by deteriorating macroeconomic conditions, and remain low by historical standards. PCLs are up substantially from \$1.6 billion in 2021 when COVID-19 related PCLs were released.

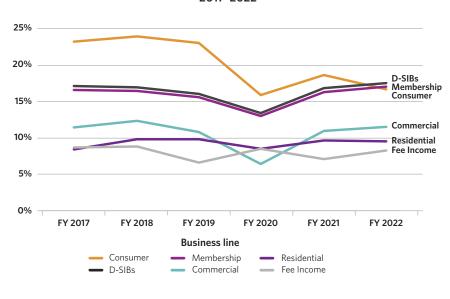
Net interest income increased by 11.3% (\$10.3 billion) in 2022 as higher loan volumes were accompanied by slightly increased net interest margins. Non-interest income increased 10.8% (\$8.7 billion), driven largely by trading-related income.

The membership's return on average shareholders' equity (ROAE), a broad-based measure looking at institutions' profitability, was 17.2%, up from 16.6% last year. The ROAE increased across the membership as net income was driven by increased loan volumes but was somewhat offset by higher provisions for expected credit losses. The Consumer peer

Net income and provisions for CDIC members, 2017–2022 (C\$ billions)



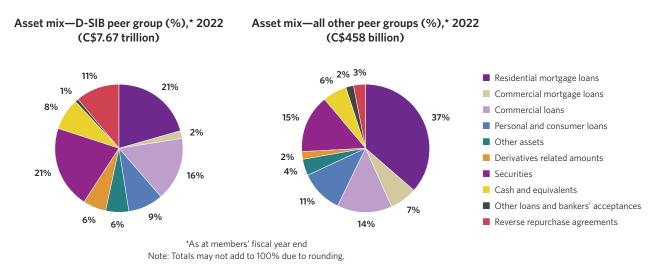
Return on average shareholders' equity (ROAE) by peer group, 2017–2022



group, however, saw the ROAE fall due to higher provisions for expected credit losses relative to the other peer groups. As shown in the graph above, the ROAE varies by peer group, due to the type of lending and the degree of leverage utilized.

Asset composition, growth and quality

The membership's total asset base grew 12.7% year over year to \$8.1 trillion, driven by the increase in residential mortgages, securities and commercial loans. Residential mortgages, one of the largest asset classes on the balance sheets of CDIC members, totalled approximately \$1.8 trillion, or 21.7% of the membership's on-balance sheet assets. Other significant asset classes included: securities (20.8% of total assets, 24.2% of which were Canadian government-issued securities); commercial loans (16.1%); personal and consumer loans (8.8%); and reverse repurchase agreements (11.0%).



The domestic systemically important bank (D-SIB) group is broken out from the rest of CDIC's membership due to its size and the disproportionately large impact these institutions have on the overall composition of the Canadian financial sector. The D-SIB peer group also has a unique asset composition with a lower reliance on residential mortgage lending relative to other CDIC members.

The overall performance of the membership's assets in 2022 improved compared to last year, with the gross impaired loan ratio decreasing to 0.33% of total loans (2021: 0.37%). This measure remained low both relative to historical levels and to Canadian lenders' international peers.

Liquidity levels

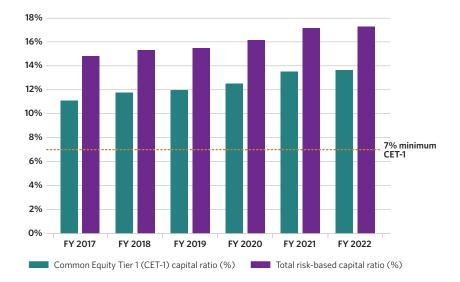
The membership maintained satisfactory levels of liquid assets as of December 31, 2022, and all CDIC member institutions complied with regulatory expectations as set out in the *Liquidity Adequacy Requirements* of the Office of the Superintendent of Financial Institutions (OSFI). Viewed on a combined basis, these metrics and assessments, which include several qualitative considerations, provide CDIC with broad and deep perspectives of the liquidity adequacy of its members. Overall, members continue to hold historically elevated levels of liquidity relating to higher deposit levels built up during the pandemic.

Capital ratios

Overall membership capital levels increased through 2022 and remain well above the Basel III minimum requirements. The membership's average Common Equity Tier 1 (CET-1) capital ratio was 13.8%, as at each member's Q4 2022 (relative to the OSFI minimum requirement of 7.0%), up from 13.6% at each member's Q4 2021. The average total capital ratio for the membership was 17.3%, up from 17.1% in 2021.

Further, under the terms of OSFI's Leverage Requirements Guideline, all institutions are required to

CDIC membership capital ratios, 2017-2022



maintain a capital adequacy leverage ratio that meets or exceeds 3.0%. As of each member's Q4 2022, the average leverage ratio of the membership was 4.8%, with D-SIBs having the lowest leverage ratio of the membership at 4.7% and the Consumer peer group having the highest leverage ratio of the membership at 16.2%.

Management of enterprise risk

CDIC employs an Enterprise Risk Management (ERM) governance structure that emphasizes and balances strong central oversight and control of risk with clear accountability for, and ownership of, risk within business lines. The Board oversees CDIC's ERM program, and the Board's risk oversight mandate is accomplished through its Risk Committee. The Management Risk Committee (MRC) provides oversight of governance, risk and control matters, and supports Management's accountability to guide, challenge, and advise decision makers.

Key risks to CDIC

CDIC actively identifies and monitors risks that are present within the current operating environment. Key risks are those that may materially affect CDIC's ability to deliver on its mandate, and are subject to greater oversight from the MRC and Risk Committee of the Board. CDIC's key risks include:

 Preparedness risk: The ongoing changes to the financial sector, business models and risks profiles of CDIC's members could impact CDIC's state of preparedness to deliver deposit insurance or act as the resolution authority for its member institutions. This risk is mitigated through CDIC's strategies to Be resolution ready and Reinforce trust in depositor protection. Initiatives include CDIC's continuous monitoring of its membership and environment, and strengthening its readiness to respond to a variety of stress scenarios.

- Strategic risk: The changing environment due to financial innovation (e.g., evolution of products and new technology-focused deposit taking) could affect CDIC's ability to achieve its strategies and related initiatives. As part of its Reinforce trust in depositor protection strategy, CDIC will continue its ongoing collaboration with its financial safety net partners in respect of various financial sector issues, including assessing opportunities to continue to modernize the federal deposit insurance framework, and deepen public awareness of deposit insurance protection, to ensure that the current deposit insurance framework continues to adequately respond to the evolving financial sector landscape.
- Operational risk: Top operational risks include resilience to cyber threats and risks associated with outdated infrastructure. Operational risk is mitigated through CDIC's strategies to Strengthen organizational resilience and Reinforce trust in depositor protection. For example, the implementation of CDIC's Cyber Security Plan, and the delivery of the Payout Modernization project to ensure timely access to insured funds in the event of a member failure.
- Organizational risk: The Corporation is facing a competitive labour market. Organizational risk is
 mitigated through CDIC's strategy to Strengthen organizational resilience. This includes adapting its
 employment brand awareness, skills training, and employee value proposition to ensure that CDIC
 continues to fulfill its mandate.

CDIC's strategic response—a look ahead to 2023/24

CDIC's decision making is driven by its mandate, its operating environment, and the key risks it faces. In response to these factors, CDIC will continue its focus on strategic and operational priorities, while proactively preparing and adapting to shifts in the economic, financial, environmental, and social landscape to deliver a fit-for-purpose deposit insurance and resolution regime.

CDIC will pursue the following three strategic objectives, as set out in the Corporation's 2023/24 to 2027/28 Corporate Plan:

1. Be resolution ready.

Being resolution ready involves having the necessary people, processes, tools, systems, and financial capacity for CDIC to resolve a member institution, if necessary. CDIC's role within Canada's financial safety net is amplified during times of economic hardship or uncertainty; being resolution ready is key in promoting financial stability.

This strategic objective is underpinned by three key initiatives:

- Early and continuous identification of risks and financial conditions of member institutions.
- Strengthen resolution frameworks, policies and plans.
- Modernize the funding and premium framework for deposit insurance and resolution.

2. Reinforce trust in depositor protection.

Depositor confidence in the safety of their deposits is essential to the resilience of the financial sector. CDIC will reinforce trust in depositor protection by anticipating and responding to innovation in the financial system to ensure that the deposit insurance and resolution frameworks, as well as CDIC operations, remain fit for purpose.

This strategic objective responds to factors related to maintaining depositor confidence, and to the increased digitalization of the financial products and services.

CDIC's work to reinforce trust in depositor protection among Canadians and within the financial system is underpinned by three key initiatives:

- Anticipate and respond to digitalization and transformation of financial services.
- Advance the multi-year Payout Modernization project.
- Launch renewed three-year Public Awareness Strategy and foster stakeholder partnerships.

3. Strengthen organizational resilience.

Strengthening organizational resilience involves addressing CDIC's organizational risks and internal and external factors that can impact CDIC's operating environment, including its technologies, people, and culture. CDIC will enhance the efficiency and effectiveness of its systems, technology, operations, and skills training to ensure that it can continue to fulfill its mandate while being prepared for the workplace of the future.

This objective is underpinned by four key initiatives:

- Growing our people and culture.
- Enhance cyber security maturity.
- Establish Environmental, Social and Governance (ESG) principles and strategy.
- Continue to implement a multi-year Enterprise Technology Strategy.

2023/24 to 2027/28 financial plan

The financial projections included in CDIC's 2023/24 to 2027/28 Corporate Plan are based on a number of assumptions and estimates available at the time of developing the Plan and, accordingly, actual results may vary materially from the figures below. Key financial assumptions include the following:

- A growth of 5.7% in insured deposits during fiscal 2023/24, 6.0% during fiscal 2024/25, followed by a gradual decrease to 4.4% in fiscal 2027/28.
- The premium rates as well as the distribution of members across the differential premium categories will remain unchanged from fiscal 2022/23.
- Investment income is based on an assumed average yield on cash and investments of 2.2% for fiscal 2023/24, followed by a gradual increase to a yield of 2.4% in fiscal 2027/28.
- No member institution failures are assumed during the planning period.
- The provision for insurance losses is forecasted to increase at a similar rate to that of the assumed growth in insured deposits, although other inputs into the calculation, such as the default probabilities, were kept constant.

2023/24 fiscal year²

Total comprehensive income is planned at \$774 million for the 2023/24 fiscal year.

Total revenues are planned to be \$1,035 million in the 2023/24 fiscal year, including \$861 million of premium revenue and \$174 million of investment income.

Planned **premium revenue** of \$861 million is \$46 million higher than fiscal 2022/23 premium revenue of \$815 million. The increase is primarily as a result of the expected growth in insured deposits.

Expected **investment income** of \$174 million is \$49 million higher than investment income of \$125 million in fiscal 2022/23, resulting from the impact of a higher assumed average yield on investments.

Net operating expenses are planned to be \$90 million in fiscal 2023/24, compared to \$81 million actual operating expenses in fiscal 2022/23. The fiscal 2023/24 budget increased mainly due to an increase in personnel and operating costs to support key initiatives in the areas of resolution preparedness, enterprise technology, and cybersecurity.

Cash and investments are planned to be \$9.1 billion at the end of the 2023/24 fiscal year due to the investment of premiums received.

The **provision for insurance losses** is planned to be \$2.25 billion at the end of the 2023/24 fiscal year based on the calculations using assumptions as at December 31, 2022.

The near term **ex ante fund** target remains on track to exceed 85 basis points of insured deposits by the 2026/27 fiscal year.

² Figures as of April 1, 2023.

Performance against Plan

As at the end of Q3 (December 31, 2022), performance against most of CDIC's planned corporate activities from the 2022/23 Corporate Plan are on track and progressing well. Overall, all 10 of CDIC key initiatives are classified as progressing well and "On Track." Of the 23 activities underlying the 10 key initiatives, 20 are progressing well and "On Track," and 3 have been slightly delayed due to external factors, or otherwise reprioritized.

CDIC's Corporate Scorecard—2022/23

(as at March 31, 2023)

| Be resolution ready | | | | |
|---|---|--|--|--|
| Initiative | 2022/23 activity/outcome | Year-end results | | |
| Early and continuous identification of risks within the | Proactive risk identification including identification of environmental and emerging risk factors that could impact member institutions (e.g., climate, cyber, technology). | Completed—2022/23 activities completed with next steps ongoing (multi-year initiative). | | |
| membership. | Continue to develop and implement research-based stress-testing capabilities. | Completed—2022/23 activities completed with next steps ongoing (multi-year initiative). | | |
| Modernize funding and premium framework for deposit insurance and resolution. | Consult on the recommendations from the comprehensive review of CDIC's premium and ex ante funding framework. | Completed—2022/23 activities completed with next steps ongoing | | |
| | Credible resolution strategies and operational plans maintained at an individual member and system level to ensure that CDIC's resolution tools can be effectively implemented in response to different scenarios. | Completed—2022/23 activities completed with next steps ongoing (multi-year initiative). | | |
| Strengthen resolution frameworks, policies and plans. | Conduct simulations and other exercises to enhance operational readiness across CDIC staff, key stakeholders, and standby firms. | Partially completed due to reprioritization—Delivered 4 simulation exercises (target was 6). | | |
| | Complete operationalization of recent deposit insurance framework changes for deposits held "in trust" by brokers in nominee name for their clients (Nominee Broker Deposits) by testing against revised data and compliance standards. | Completed—2022/23 activities completed with next steps ongoing (multi-year initiative). | | |

| Reinforce trust in depositor protection | | | | |
|--|---|--|--|--|
| Initiative | 2022/23 activity/outcome | Year-end results | | |
| Advance multi-year Payout Modernization project. | Complete the development phase of the first software release of the Payout Modernization project. Begin the development phase for the second software release of the project. | Partially completed because delays from external contractor pushed back the completion date for the first software release by two quarters from the original schedule. | | |
| Anticipate and respond to digitalization and transformation of financial services. | Impact of financial innovation and fintechs on the deposit insurance and resolution frameworks is assessed, and risks, gaps, and opportunities addressed. | Completed—2022/23 activities completed with next steps ongoing (multi-year initiative). | | |
| Maintain public awareness and confidence. | Maintain public awareness of CDIC protection within 60%–65% target range and evolve strategy to increase awareness among women. | Completed—Public awareness reached record levels among Canadians (64%), women (55.5%) and francophones (60.6%). | | |

| Strengthen organizational resilience | | | | | |
|---|---|--|--|--|--|
| Initiative | 2022/23 activity/outcome | Year-end results | | | |
| Enhance cyber security. | Implement enhancements to cyber risk defences and broaden threat monitoring and incident response capabilities. | Completed—2022/23 activities completed with next steps ongoing (multi-year initiative). | | | |
| Continue to develop | Ready CDIC's Cloud infrastructure for remaining migration of corporate workloads and data warehousing. | Completed. | | | |
| and implement multi-year Enterprise Technology Strategy. | Undertake a review of CDIC's technology operations to support long-term cost optimization and resourcing model, and make recommendations to the Board. | Partially completed due to reprioritization. The review was completed in Q4 2022/23, but the recommendations are scheduled to be presented to the Board in Q1 2023/24. | | | |
| | Review of employee benefits to determine fit for purpose in light of the workplace of tomorrow. | Completed. | | | |
| Prepare for the workplace of tomorrow including Future of Work. | Conduct skills review. | Completed—2022/23 activities completed with next steps ongoing (multi-year initiative). | | | |
| | Support CDIC's hybrid model and transformed culture by continued experimentation of premises design, and deployment of further collaborative technologies and training. | Completed—2022/23 activities completed with next steps ongoing (multi-year initiative). | | | |

| Strengthen organiza | tional resilience (continued) | |
|--|---|---|
| Initiative | 2022/23 activity/outcome | Year-end results |
| Reinforce Environmental, | Identify measures to bolster sustainable practices and improve overall environmental performance. | Majority completed—2022/23 Task Force on Climate-related Financial Disclosures (TCFD) activities completed with TCFD report included in this Annual Report. ESG Strategy scope and development timeline have shifted but the Strategy is still scheduled for inclusion in the 2024/25 Corporate Plan. |
| Social and Governance (ESG) principles within the organization and its activities. | Promote a culture that is reflective of the Canadians it serves by executing a Diversity, Equity, and Inclusion Strategy. | Majority completed—CDIC meets or exceeds representation of women and visible minorities in its work force. In addition, 67% of CDIC's Corporate Officers identify as women. The creation of Diversity, Equity, and Inclusion targets in succession planning was completed, but the BIPOC (Black, Indigenous, People of Colour) mentorship program work was otherwise delayed and will recommence in Q1 2023/24. |

Financial overview

This section of CDIC's Management's Discussion and Analysis provides a narrative context in which to interpret the Corporation's financial position, financial performance, and cash flows. It should be read in conjunction with CDIC's fiscal 2022/23 consolidated financial statements and notes.

CDIC's statutory objects are to:

- Provide insurance against the loss of part or all of deposits in member institutions.
- Promote and otherwise contribute to the stability of the financial system in Canada.
- Pursue these objects for the benefit of depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss.
- Act as the resolution authority for its member institutions.

The Corporation's financial position, financial performance and cash flows are influenced by the pursuit of these objects.

Basis of preparation

As a publicly accountable corporation, CDIC prepares its consolidated financial statements using International Financial Reporting Standards (IFRS) as per the requirements of the Canadian Accounting Standards Board.

The Corporation's consolidated financial statements include the results of Adelaide Capital Corporation (ACC), a structured entity created by CDIC in 1992 to affect the failure of Central Guaranty Trust Company and Central Guaranty Mortgage Corporation. (See Note 2 of the Corporation's fiscal 2022/23 consolidated financial statements for more information.) The impact of the consolidation of ACC is immaterial to the consolidated financial results.

Financial highlights

CDIC earned total comprehensive income of \$648 million for the year ended March 31, 2023.

Premium revenue was \$815 million for the year, an increase of \$42 million (5%) from the previous fiscal year. The increase in premium revenue was mainly due to growth in insured deposits.

Investment income was \$125 million for the year, an increase of \$32 million (35%) from the previous fiscal year. The increase was mainly due to higher yield and growth in the investment portfolio.

Net operating expenses were \$81 million for the year, \$13 million (19%) higher than the previous fiscal year, primarily due to the advancement of the Payout Modernization project and an increase in personnel costs to support the Corporation's key initiatives.

The Corporation's asset base continued to grow during the year. Total assets were \$8.2 billion as at March 31, 2023, an increase of \$855 million (12%) over the previous fiscal year. The majority of the Corporation's assets are investment securities which was the primary driver of the total asset increase from the previous fiscal year.

The Corporation's provision for insurance losses was \$2.1 billion as at March 31, 2023, \$200 million (11%) higher than the previous fiscal year. This increase is mainly due to an increase in exposure to losses.

The Corporation's premium revenue is not taxable for income tax purposes. However, the investment and other income is subject to income taxes. Income tax expense was \$11 million for the year, an increase of \$5 million (78%) higher than the previous fiscal year mainly due to an increase in investment income.

The Corporation's *ex ante* funding is designed to cover possible deposit insurance losses. The balance stood at \$8.1 billion or 75 basis points of insured deposits as at March 31, 2023, an increase of 4 basis points from March 31, 2022.

Consolidated statement of financial position

Assets

The total assets of the Corporation increased to \$8.2 billion as at March 31, 2023, from \$7.3 billion as at March 31, 2022, representing an increase of 12%. The following table summarizes CDIC's assets.

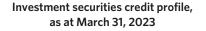
| As at March 31 (C\$ thousands) | 2023 | 2022 |
|--------------------------------|-----------|-----------|
| Cash | 15,712 | 22,726 |
| Investment securities | 8,123,679 | 7,261,749 |
| Current tax asset | _ | 1,215 |
| Trade and other receivables | 472 | 742 |
| Prepayments | 1,636 | 1,074 |
| Right-of-use assets | 7,416 | 8,660 |
| Property, plant and equipment | 3,452 | 3,606 |
| Intangible assets | 6,934 | 4,460 |
| Total assets | 8,159,301 | 7,304,232 |

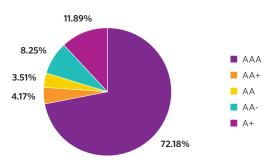
Investment securities

CDIC's \$8.1 billion investment portfolio forms the majority of its assets. The Corporation's investment strategy is based on two key principles:

- Limit credit and market risk to preserve capital.
- Use the investment portfolio as a funding source for intervention activities.

These principles require that CDIC maintain a conservatively structured portfolio. CDIC's treasury activity follows the *Financial Risk Management Guidelines for Crown Corporations* issued by the





Minister of Finance. CDIC's Board financial risk policies further limit risk by setting a maximum amount and term that can be invested in each qualifying instrument.

CDIC is restricted under these policies to the obligations of the Government of Canada and agent Crowns and the obligations of provincial governments or municipal financing authorities. Investment securities are restricted to securities having a minimum credit rating of A- with a term no greater than five years. The Corporation invests in a ladder-style structure, requiring investments to be distributed evenly, within tolerance bands, over five, one-year time rungs.

CDIC's investments as at March 31, 2023, carry a weighted average effective yield of 1.90% (March 31, 2022: 1.36%).

Liabilities

The total liabilities of the Corporation increased to \$2.1 billion as at March 31, 2023, from \$1.9 billion as at March 31, 2022, representing an increase of 11%. The following table summarizes the liabilities of the Corporation.

| As at March 31 (C\$ thousands) | 2023 | 2022 |
|--------------------------------|-----------|-----------|
| Trade and other payables | 13,579 | 9,764 |
| Current tax liability | 4,954 | _ |
| Lease liabilities | 8,816 | 10,176 |
| Employee benefits | 1,291 | 1,461 |
| Provision for insurance losses | 2,100,000 | 1,900,000 |
| Deferred tax liability | 148 | 289 |
| Total liabilities | 2,128,788 | 1,921,690 |

Provision for insurance losses

CDIC's provision for insurance losses is estimated based on a number of assumptions. The \$2.1 billion provision for insurance losses as at March 31, 2023, represents CDIC's best estimate of the future losses it is likely to incur as a result of resolving non-viable member institutions. The provision increased by \$200 million in 2022/23 primarily due to an increase in exposure to losses.

The derivation of default probabilities includes both historical and forward-looking perspectives of potential for failure. Moody's Investors Service and Standard & Poor's default statistics are used to derive an historically based view of default. Moody's Analytics, a provider of market-based quantitative credit risk products for financial institutions and credit risk investors, is used to provide a forward-looking perspective of the probability of default estimate.

The Corporation calculates its expected losses as a result of any member institution failures on a present value basis. The loss given default is expressed as a percentage of exposure to losses and reflects: (i) the cumulative unweighted average of losses sustained from member institution failures in Canada since 1987, plus an adjustment for measurement uncertainty; and (ii) recent losses sustained in other jurisdictions.

Ex ante funding

Sound funding arrangements are critical to the effectiveness of a deposit insurance system and the maintenance of public confidence. CDIC has developed an ex ante funding strategy to cover possible deposit insurance losses. The amount of such funding is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses. CDIC's funding strategy involves the accumulation of resources during strong economic times to address future potential losses, avoiding as much as possible significant increases in premium rates during periods of economic stress when CDIC's member institutions are dealing with financial headwinds.

The Corporation has determined that it is prudent to maintain an amount of advance or *ex ante* funding to absorb losses. The amount of such funding is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses. During 2022/23, the Corporation conducted a review of the *ex ante* funding framework and established a near-term fund target to exceed 85 basis points of insured deposits by the 2026/27 fiscal year.

The actual level of ex ante funding as at March 31, 2023, was \$8.1 billion, or 75 basis points of insured deposits. The near term ex ante fund target remains on track to exceed 85 basis points of insured deposits by the 2026/27 fiscal year.

CDIC primarily utilizes two methodologies to assess the optimal level of *ex ante* funding. The first of these is referred to as "discretionary analysis." Under this methodology, the Corporation considers the profile of its membership and determines the ability of a specific level of funding to address the hypothetical failure of member institutions.

The second methodology is referred to as "loss estimation." This methodology utilizes statistical techniques to estimate theoretical loss scenarios. Multiple loss scenarios are developed that permit a calibration of funding levels. The inputs to a loss estimation scenario include the level of insured deposits, probability of default statistics and loss given default assumptions.

As part of its regular assessment of sufficiency, the Corporation stress-tests model assumptions. The purpose of these stress tests is to evaluate how funding requirements could be impacted by changes in model inputs. The stress tests primarily assess how changes in probability of default and loss given default affect funding requirements.

Ex ante funding comprises one component of CDIC's entire funding envelope. The Corporation maintains an investment portfolio roughly equivalent to the ex ante fund and, in addition, has the ability to borrow from the Government of Canada or from capital markets. The borrowing limit increases with the growth in insured deposits and, as at March 31, 2023, CDIC had the legislative authority to borrow up to \$32 billion, subject to ministerial approval. Supplemental borrowing,

if required, could be authorized either by Parliament through an appropriation act, or by the Governor in Council and the Minister of Finance if, in the Minister's opinion, it is necessary to promote the stability or maintain the efficiency of the financial system in Canada. If such additional borrowing is obtained by the Corporation to resolve a member institution failure, the borrowed amount will be recovered by levying higher premium revenue from CDIC's member institutions.

The following table sets out the liquid funds available to CDIC as at March 31, 2023.

| As at March 31 (C\$ millions) | 2023 | 2022 |
|--|-----------|-----------|
| Available liquid funds: | | |
| Cash | 16 | 23 |
| Fair value of high quality, liquid investment securities | 7,862 | 7,058 |
| Availability of borrowings: | | |
| Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund | 32,000 | 30,000 |
| Total available funds | 39,878 | 37,081 |
| Insured deposits | 1,081,987 | 1,025,235 |
| Total basis points of insured deposits | 369 | 362 |

Consolidated statement of comprehensive income

CDIC's total comprehensive income for fiscal 2022/23 totalled \$648 million, a decrease of \$893 million from 2021/22. The Corporation's financial performance is summarized in the following table.

| For the year ended March 31 (C\$ thousands) | 2023 | 2022 |
|---|---------|-----------|
| Revenue | | |
| Premium | 814,723 | 772,318 |
| Investment income | 125,274 | 92,628 |
| Other | 153 | 208 |
| Expenses | | |
| Net operating expenses | 81,211 | 67,977 |
| Increase (decrease) in the provision for insurance losses | 200,000 | (750,000) |
| Income tax expense | 11,075 | 6,225 |
| Net income | 647,864 | 1,540,952 |
| Other comprehensive income | 107 | 85 |
| Total comprehensive income | 647,971 | 1,541,037 |

Premium revenue

In the 2022/23 fiscal year, premium revenue increased by \$42 million (5%) to \$815 million. Growth in insured deposits contributed to the increase in premium revenue. Insured deposits increased to \$1.082 trillion as at April 30, 2022, from \$1.025 trillion as at April 30, 2021, an increase of 6%.

Premiums charged to member institutions are based on the total amount of insured deposits held by members as of April 30 each year, and are calculated in accordance with the CDIC Act and the CDIC Differential Premiums By-law, which classifies member institutions into one of four premium categories. Classification is based on a mix of quantitative and qualitative factors.

During 2022/23, CDIC launched a public consultation to seek input on proposed changes to modernize and improve the effectiveness of the Differential Premium System (DPS). The objective of the review is to modernize and improve the effectiveness of the system and process which determines the risk-based premiums payable by members to CDIC on an annual basis. The DPS review is ongoing; revisions to the DPS may result in changes to the quantum and composition of premium rates in the future.

The 2022/23 premium rates are consistent with CDIC's existing strategy that would see the Corporation exceed its near term target *ex ante* funding level by the 2026/27 fiscal year. Premium rates, expressed as basis points of insured deposits, are presented below.

| Premium category (basis points of insured deposits) | 2022/23 | 2021/22 |
|---|---------|---------|
| Category 1 | 7.5 | 7.5 |
| Category 2 | 15.0 | 15.0 |
| Category 3 | 30.0 | 30.0 |
| Category 4 | 33.3 | 33.3 |

CDIC's premium revenue for fiscal 2022/23 amounting to \$815 million is approximately 7.5 basis points of insured deposits.

The distribution of member institutions among premium categories is set out in the following table.

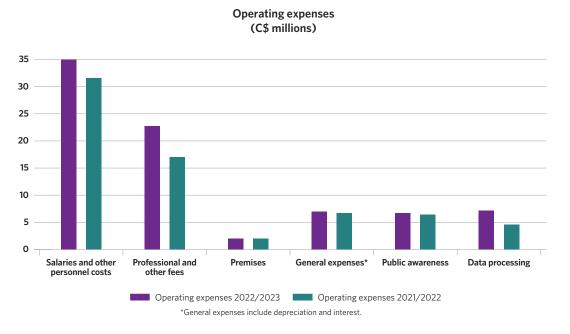
Distribution of member institutions by premium category (% of members)

| Premium category | 2022/23 | 2021/22 | 2020/21 | 2019/20 | 2018/19 |
|------------------|---------|---------|---------|---------|---------|
| 1 | 92 | 91 | 89 | 83 | 81 |
| 2 | 6 | 6 | 10 | 14 | 15 |
| 3 | 2 | 3 | 1 | 3 | 4 |
| 4 | _ | _ | _ | _ | |

Investment income

Investment income was \$125 million for the year, an increase of \$32 million (35%) from the previous fiscal year. The increase was mainly due to a higher average yield (1.90% and 1.36%, as at March 31, 2023, and March 31, 2022, respectively) and growth in the investment portfolio as a result of increased premium revenue.

Operating expenses



Operating expenses increased by \$13 million (19%) to \$81 million in fiscal 2022/23 from fiscal 2021/22. The increase was primarily driven by the advancement of the Payout Modernization project (\$9 million) and an increase in personnel costs (\$3 million) to support the Corporation's key initiatives.

Income tax expense

The Corporation is subject to federal income tax. The Corporation's source of taxable income is its interest income. From this amount, allowable expenditures are deducted to arrive at its net income for tax purposes. Under the provisions of the *Income Tax Act*, the Corporation's premium revenue is not taxable and the change in the provision for insurance losses is not deductible for tax purposes. In addition, recoveries of amounts previously written off are not taxable because the Corporation did not previously claim a deduction for tax purposes.

The Corporation's income tax expense increased by \$5 million (78%) to \$11 million in fiscal 2022/23 from fiscal 2021/22, mainly due to increased investment income.

Consolidated statement of cash flows

CDIC's cash flows are summarized in the following table.

| For the year ended March 31 (C\$ thousands) | 2023 | 2022 |
|---|-----------|-----------|
| Increase in cash from operating activities | 884,568 | 835,475 |
| Decrease in cash from investing activities | (890,100) | (814,940) |
| Decrease in cash from financing activities | (1,482) | (289) |
| Net (decrease) increase in cash balance | (7,014) | 20,246 |
| Cash, end of year | 15,712 | 22,726 |

Comparison with 2022/23 to 2026/27 Corporate Plan

The following discussion compares the Corporation's actual financial results for fiscal 2022/23 with the Corporate Plan for the same year.

Consolidated statement of financial position

Total assets as at March 31, 2023, were \$8.2 billion, consistent with the planned amount.

Total liabilities as at March 31, 2023, were \$2.1 billion, \$489 million (19%) lower than the planned amount primarily due to a lower provision for insurance losses of \$500 million. At the time of Plan development provision was \$2.65 billion.

Consolidated statement of comprehensive income

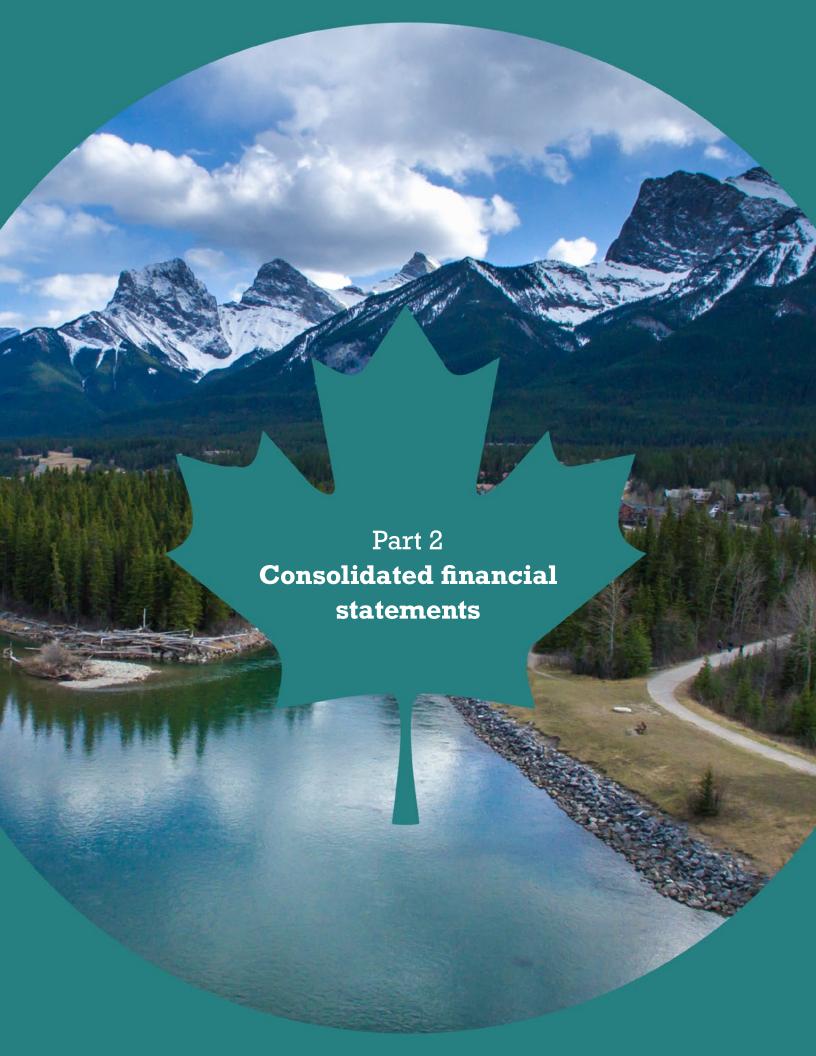
Total revenue during the year was \$940 million, \$29 million (3%) higher than the planned amount of \$911 million. This increase is primarily due to higher than planned investment income.

Net operating expenses for the year were \$81 million, lower than the planned amount of \$88 million mainly due to timing of spending for the Payout Modernization project and lower than planned spending on professional fees.

Total comprehensive income for the year ended March 31, 2023, was \$648 million compared to planned total comprehensive income of \$723 million. The variance is mainly due to a higher than planned increase in the provision for insurance losses of \$100 million.

| (C\$ millions) | 2023/24 Corporate Plan ^a | 2022/23 Actual results | 2022/23 Corporate Plan ^a |
|---|--|---------------------------|--|
| Consolidated statement of financial position (as at March 31) | | | |
| Cash and investments | 9,052 | 8,139 | 8,101 |
| Capital assets | 13 | 11 | 14 |
| Right-of-use assets | 6 | 7 | 6 |
| Other current assets | _ | 2 | _ |
| Total assets | 9,071 | 8,159 | 8,121 |
| Trade and other payables | 5 | 13 | 5 |
| Provision for insurance losses | 2,250 | 2,100 | 2,600 |
| Lease liabilities | 8 | 9 | 8 |
| Other non-current liabilities | 5 | 6 | 5 |
| Retained earnings | 6,803 | 6,031 | 5,503 |
| Total liabilities and equity | 9,071 | 8,159 | 8,121 |
| Consolidated statement of comprehensive incom (for the year ended March 31) | пе | | |
| Revenue | | | |
| Premiums | 861 | 815 | 822 |
| Investment and other income | 174 | 125 | 89 |
| | 1,035 | 940 | 911 |
| Expenses | | | |
| Net operating expenses | 90 | 81 | 88 |
| Increase in provision for insurance losses | 150 | 200 | 100 |
| | 240 | 281 | 188 |
| Net income before income tax | 795 | 659 | 723 |
| Income tax expense | (21) | (11) | _ |
| Total comprehensive income | 774 | 648 | 723 |

^a The Corporate Plans 2022/23 to 2026/27 and 2023/24 to 2027/28 were developed based on information as at December 31, 2021, and December 31, 2022, respectively.



Part 2 Consolidated financial statements

Management responsibility for consolidated financial statements

June 6, 2023

The accompanying consolidated financial statements of the Canada Deposit Insurance Corporation and the information related to the consolidated financial statements in this Annual Report are the responsibility of Management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements include some amounts, the most significant one being the provision for insurance losses, which are necessarily based on Management's best estimates and judgment.

The consolidated financial statements have been approved by the Board of Directors. Financial information presented elsewhere in this Annual Report is consistent with that contained in the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, Management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are duly authorized, that assets are safeguarded, and that proper records are maintained in accordance with the *Financial Administration Act* and regulations, as well as the *Canada Deposit Insurance Corporation Act* and by-laws of the Corporation. Internal audits examine and evaluate the application of the Corporation's policies and procedures and the adequacy of the system of internal controls. In addition, the internal and external auditors have free access to the Audit Committee of the Board of Directors, which oversees Management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the consolidated financial statements to the Board of Directors.

These consolidated financial statements have been audited by the Corporation's auditor, the Auditor General of Canada, and her report is included herein.

Leah Anderson President and Chief Executive Officer

Neal Anderson

Jordan Rosenbaum Chief Financial Officer & Head, Business Integration

Independent auditor's report



Office of the of Canada

Bureau du Auditor General vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Canada Deposit Insurance Corporation and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not for the purpose of
 expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the
 entities or business activities within the Group to express an opinion on the consolidated
 financial statements. We are responsible for the direction, supervision, and performance
 of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of Canada Deposit Insurance Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the Financial Administration Act and regulations, the *Canada Deposit Insurance Corporation Act* and regulations, the by-laws of Canada Deposit Insurance Corporation, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of Canada Deposit Insurance Corporation that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Canada Deposit Insurance Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Canada Deposit Insurance Corporation to comply with the specified authorities.

Independent auditor's report

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Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Normand Lanthier, CPA, CA Principal

for the Auditor General of Canada

Namard Landher

Ottawa, Canada 6 June 2023

Consolidated financial statements and notes

Canada Deposit Insurance Corporation

Consolidated statement of financial position

As at March 31, 2023 (audited) (C\$ thousands)

| | Notes | 2023 | 2022 |
|--------------------------------|-------|-----------|-----------|
| ASSETS | | | |
| Cash | | 15,712 | 22,726 |
| Investment securities | 4 | 8,123,679 | 7,261,749 |
| Current tax asset | | _ | 1,215 |
| Trade and other receivables | | 472 | 742 |
| Prepayments | | 1,636 | 1,074 |
| Right-of-use assets | 5 | 7,416 | 8,660 |
| Property, plant and equipment | 6 | 3,452 | 3,606 |
| Intangible assets | 7 | 6,934 | 4,460 |
| TOTAL ASSETS | | 8,159,301 | 7,304,232 |
| LIABILITIES | | | |
| Trade and other payables | | 13,579 | 9,764 |
| Current tax liability | | 4,954 | _ |
| Lease liabilities | 5 | 8,816 | 10,176 |
| Employee benefits | 16 | 1,291 | 1,461 |
| Provision for insurance losses | 8 | 2,100,000 | 1,900,000 |
| Deferred tax liability | 11 | 148 | 289 |
| Total liabilities | | 2,128,788 | 1,921,690 |
| EQUITY | | | |
| Retained earnings | | 6,030,513 | 5,382,542 |
| TOTAL LIABILITIES AND EQUITY | | 8,159,301 | 7,304,232 |

Contingencies and commitments (Note 15)

The accompanying notes form an integral part of these consolidated financial statements.

Approved by the Board of Directors on June 6, 2023

Director

Canada Deposit Insurance Corporation

Consolidated statement of comprehensive income

For the year ended March 31 (audited) (C\$ thousands)

| | Notes | 2023 | 2022 |
|---|-------|---------|-----------|
| REVENUE | | | |
| Premium | 12 | 814,723 | 772,318 |
| Investment income | 4 | 125,274 | 92,628 |
| Other | | 153 | 208 |
| | | 940,150 | 865,154 |
| EXPENSES | | | |
| Net operating expenses | 13 | 81,211 | 67,977 |
| Increase (decrease) in the provision for insurance losses | 8 | 200,000 | (750,000) |
| | | 281,211 | (682,023) |
| Net income before income taxes | | 658,939 | 1,547,177 |
| Income tax expense | 11 | 11,075 | 6,225 |
| NET INCOME | | 647,864 | 1,540,952 |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that will not be reclassified to net income: | | | |
| Actuarial gain on defined benefit obligations | | 143 | 113 |
| Income tax effect | | (36) | (28) |
| Other comprehensive income, net of tax | | 107 | 85 |
| TOTAL COMPREHENSIVE INCOME | | 647,971 | 1,541,037 |

The accompanying notes form an integral part of these consolidated financial statements.

Canada Deposit Insurance Corporation

Consolidated statement of changes in equity

For the year ended March 31 (audited) (C\$ thousands)

| | Retained earnings and total equity |
|----------------------------|------------------------------------|
| Balance, March 31, 2021 | 3,841,505 |
| Net income | 1,540,952 |
| Other comprehensive income | 85 |
| Total comprehensive income | 1,541,037 |
| Balance, March 31, 2022 | 5,382,542 |
| Net income | 647,864 |
| Other comprehensive income | 107 |
| Total comprehensive income | 647,971 |
| Balance, March 31, 2023 | 6,030,513 |

The accompanying notes form an integral part of these consolidated financial statements.

Canada Deposit Insurance Corporation

Consolidated statement of cash flows

For the year ended March 31 (audited) (C\$ thousands)

| | 2023 | 2022 |
|--|-------------|-------------|
| OPERATING ACTIVITIES | | |
| Net income | 647,864 | 1,540,952 |
| Adjustments for: | | |
| Depreciation and amortization | 3,143 | 3,104 |
| Loss on disposal of property, plant and equipment | 114 | _ |
| Gain on lease modification | (2) | _ |
| Investment income | (125,274) | (92,628) |
| Interest expense on lease liabilities | 163 | 113 |
| Income tax expense | 11,075 | 6,225 |
| Employee benefit expense | 134 | 134 |
| Change in working capital: | | |
| Decrease (increase) in trade and other receivables | 270 | (570) |
| (Increase) decrease in prepayments | (562) | 228 |
| Increase in trade and other payables | 3,815 | 1,299 |
| Increase (decrease) in the provision for insurance losses | 200,000 | (750,000) |
| Investment income received | 149,235 | 133,213 |
| Employee benefit payment | (161) | (68) |
| Interest paid on lease liabilities | (163) | (173) |
| Income tax paid | (5,083) | (6,354) |
| Net cash generated by operating activities | 884,568 | 835,475 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment, and intangible assets | (4,210) | (2,831) |
| Purchase of investment securities | (3,413,564) | (2,251,004) |
| Proceeds from sale or maturity of investment securities | 2,527,674 | 1,438,895 |
| Net cash used in investing activities | (890,100) | (814,940) |
| FINANCING ACTIVITIES | | |
| Principal payment of lease liabilities | (1,482) | (1,594) |
| Leasehold improvement allowance | _ | 1,305 |
| Net cash used in financing activities | (1,482) | (289) |
| Net (decrease) increase in cash | (7,014) | 20,246 |
| Cash, beginning of year | 22,726 | 2,480 |
| Cash, end of year | 15,712 | 22,726 |

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

March 31, 2023

1—General information

The Canada Deposit Insurance Corporation (CDIC, or the Corporation) was established in 1967 by the Canada Deposit Insurance Corporation Act (the CDIC Act). It is a Crown corporation without share capital named in Part I of Schedule III to the Financial Administration Act and is funded by premiums assessed against its member institutions and investment income. The Corporation is subject to federal income tax pursuant to the provisions of the Income Tax Act. The address of the registered office is 50 O'Connor Street, 17th Floor, in Ottawa, Ontario.

The objects of the Corporation are: to provide insurance against the loss of part or all of deposits in member institutions; to promote and otherwise contribute to the stability of the financial system in Canada; to pursue these objects for the benefit of depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss; and to act as the resolution authority for its member institutions.

The Corporation has the power to do all things necessary or incidental to the furtherance of its objects, including, but not limited to: acquiring assets from and providing guarantees or loans to member institutions and others; making or causing to be made inspections of member institutions; acting as liquidator, receiver or inspector of a member institution or a subsidiary thereof; establishing a bridge institution and acquiring shares and/or assets and assuming liabilities of member institutions; and converting some of the debt of a failing domestic systemically important bank (D-SIB) into common shares in order to recapitalize the bank and allow it to remain open and operating.

The Corporation is an agent of His Majesty in right of Canada for all purposes of the CDIC Act. As a result, all obligations incurred by the Corporation in the course of carrying out its mandate are obligations of Canada.

In July 2015, the Corporation was issued a directive (P.C. 2015-1107) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures, in a manner that is consistent with its legal obligations. The Corporation is in compliance with the directive.

The Deposit Insurance Review that was announced in the 2014 Budget to modernize and enhance Canada's deposit insurance framework received Royal Assent on June 21, 2018. Certain changes relating to deposit insurance coverage came into force on April 30, 2020, with the second phase of changes effective April 30, 2022. The changes have required and will continue to require changes to the Corporation's processes.

Changes to the CDIC Act resulting from the *Budget Implementation Act, 2021, No. 1*, are now in force. These measures promote financial stability by strengthening Canada's deposit protection and bank resolution regime, such as:

- Strengthening the cross-border enforceability of the stay provisions that apply to eligible financial contracts.
- Providing legislative clarity to ensure beneficiaries of trust deposits continue to be protected.
- Extending the time limit for retaining control of a failing member up to 18 months from 6 months to allow CDIC time to complete its sale or restructuring.

The federal government announced its intention to create the First Home Savings Account (FHSA) in Budget 2022. The *Fall Economic Statement Implementation Act, 2022*, received Royal Assent on December 15, 2022, and enacts the legislative amendments necessary to introduce the FHSA, including amendments to the CDIC Act. Effective April 1, 2023, CDIC's deposit insurance coverage will expand to include separate coverage for eligible deposits held under the new FHSA category, with a separate coverage limit of \$100,000, as with other categories.

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on June 6, 2023.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Canadian dollars (C\$).

The consolidated financial statements have been prepared on the historical cost basis, except for the lease liability (Note 5), provision for insurance losses (Note 8), and certain employee benefits (Note 16) which are measured at their present value. Historical cost is generally based on the fair value of the consideration given in exchange for assets and the amount of cash expected to be paid to satisfy a liability.

The accounting policies set out in Note 2 were consistently applied to all the periods presented.

2—Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the financial statements of Adelaide Capital Corporation (ACC), a structured entity controlled by the Corporation.

The results of ACC are included in the consolidated statement of comprehensive income until the date control ceases or the company is dissolved. All transactions, balances, income and expenses between CDIC and ACC are eliminated in full on consolidation.

The overall impact of this consolidation is not significant.

These consolidated financial statements do not reflect the assets, liabilities or operations of failed member institutions in which the Corporation has intervened but does not have control.

Judgments

The preparation of consolidated financial statements in accordance with IFRS requires Management to exercise judgment in applying the Corporation's accounting policies. The following are the significant judgments made in the process of applying the Corporation's accounting policies.

Consolidation

Management has determined, based on an analysis of the facts and circumstances, that the Corporation controls ACC and the financial statements of CDIC should incorporate the financial statements of ACC.

Control is achieved where the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although CDIC does not own any of the share capital of ACC, it is the sole creditor of ACC, having provided an intercompany loan in 1992. The terms of the loan restrict the activities of ACC and stipulate that ACC cannot alter the composition of the Board of Directors without CDIC's consent, giving CDIC power over ACC's key activities.

As the sole creditor, CDIC initiated proceedings for the dissolution of ACC after March 31, 2023. The outcome of the dissolution is not significant and after dissolution, CDIC's financial statements will no longer be consolidated.

Financial instruments

The Corporation holds a significant amount of investment securities. Based on an analysis of the facts and circumstances, Management has determined that: (i) the investment securities are held in order to collect contractual cash flows; and (ii) the contractual terms of the investment securities give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, the Corporation measures the investment securities at amortized cost using the effective interest method. See "Financial instruments" below for further details.

The Corporation calculates a loss allowance for expected credit losses (ECLs) on investment securities that are measured at amortized cost. The measurement of ECLs on the Corporation's financial assets is an area that requires the use of complex models and significant assumptions and judgments that are driven by numerous factors, changes in which can result in different levels of allowances.

Elements of the ECL model that are considered accounting judgments and estimates include:

- Determining criteria for significant increase in credit risk.
- Developing appropriate models and assumptions for the measurement of ECLs.
- Determining the economic variables most highly correlated to CDIC's portfolios of financial assets.
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios and their effect on economic inputs in the ECL model.

See "Financial instruments" below for further details.

Estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions. Estimates and assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates or assumptions are revised, and any future periods affected.

Provision for insurance losses

Estimating CDIC's provision for insurance losses involves significant estimation and requires Management to make assumptions.

The provision for insurance losses represents CDIC's best estimate of the losses it is likely to incur as a result of resolving the failure of member institutions as at CDIC's financial position date. The provision is estimated by assessing the aggregate risk of the Corporation's members based on: (i) the exposure to losses; (ii) the expectation of default derived from probability statistics; (iii) an expected loss given default; and (iv) the Corporation's specific knowledge of its members. See "Provision for insurance losses" below for further details on how the provision is measured. See Note 8 for the Corporation's calculation of the provision for insurance losses.

Actual results could differ significantly from these estimates, including the timing and extent of losses the Corporation incurs as a result of future failures of member institutions. This could require a material adjustment to the carrying amount of the provision for insurance losses.

Capital assets

Capital assets, comprising property, plant and equipment, and intangible assets with finite useful lives, are depreciated or amortized over their useful lives. The carrying amounts of the Corporation's capital assets are included in Notes 6 and 7.

Financial instruments

Recognition and initial measurement

All financial assets and financial liabilities are recognized initially at fair value plus directly attributable transaction costs.

Purchases of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date—that is, the date the asset is delivered to or by CDIC.

Classification

A) Financial assets

Subsequent to initial recognition, a financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of the above conditions, it is measured at fair value. All of the Corporation's investment securities meet the conditions outlined above; therefore, they are measured at amortized cost.

B) Financial liabilities

Subsequent to initial recognition, all of the Corporation's financial liabilities are measured at amortized cost.

Amortized cost measurement

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount, and minus any reduction for impairment or non-collectability.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are categorized within a fair value hierarchy:

- Level 1—Fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2—Fair values are determined using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3—Fair values are determined using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For financial assets and financial liabilities that are recognized at fair value on a recurring basis, the Corporation determines whether transfers have occurred between the levels in the hierarchy by reassessing categorization at the end of each reporting period.

Identification and measurement of impairment

The Corporation calculates a loss allowance for expected credit losses (ECLs) on investment securities and premiums receivable that are measured at amortized cost. CDIC recognizes 12-month ECLs for financial instruments unless there has been a significant increase in credit risk since initial recognition, in which case lifetime ECLs are recognized. The amount of ECLs, if any, is updated at each reporting date to reflect changes in credit risk since initial recognition and is disclosed in Note 4 in accordance with IFRS 7 Financial Instruments: Disclosures.

The Corporation has incorporated forward-looking economic information into its ECLs by performing the calculation under multiple scenarios resulting in probability-weighted average ECLs based on the weightings of each scenario.

Expected credit loss approach and assessment

Investment securities

For investment securities, ECLs are the difference between all contractual cash flows that are due to the Corporation in accordance with the contract and all the cash flows expected to be received, discounted at the original effective interest rate. If a significant increase in credit risk has occurred since initial recognition, impairment is measured as lifetime ECLs. Otherwise, impairment is measured as 12-month ECLs, which represent the portion of lifetime ECLs expected to occur based on default events that are possible within 12 months after the reporting date. If credit quality improves in a subsequent period such that the increase in credit risk since initial recognition is no longer considered significant, the loss allowance reverts to being measured based on 12-month ECLs.

All the investment securities held by the Corporation are debt instruments, issued or guaranteed by the Government of Canada or provincial governments, with a minimum credit rating of A-. In assessing ECLs on these instruments, the Corporation has applied the simplified approach under IFRS 9 available due to their high credit quality, whereby the Corporation is not required to assess changes in credit risk but instead requires the recognition of a loss allowance based on lifetime ECLs at each reporting date, right from origination.

Premiums receivable

CDIC applies the same simplified approach for premiums receivable whereby the Corporation is not required to assess changes in credit risk but instead requires the recognition of a loss allowance based on lifetime ECLs at each reporting date, right from origination. In the case of CDIC's premiums receivable, the contractual maturity would be less than one year and, hence, the lifetime credit loss would be measured over a 12-month period.

As the premiums are payable in two equal installments on July 15 and December 15, the Corporation recognizes premiums receivable only in the first quarter of its fiscal year and no premiums are receivable at year end.

Cash

Cash includes cash on hand and demand deposits.

Investment securities

Investment securities are debt instruments, issued or guaranteed by the Government of Canada or provincial governments. Investment securities are measured in the consolidated statement of financial position at amortized cost, plus accrued interest.

Interest income on investment securities is recognized using the effective interest method.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives, residual values and depreciation methods are reviewed annually at the end of the year, with the effect of any changes in estimate being accounted for on a prospective basis. The following useful lives are used in the calculation of depreciation:

- Leasehold improvements—the shorter of the term of the lease and the useful life of the leasehold improvement
- Furniture and equipment—five to ten years
- Computer hardware—three to five years

Depreciation expense is included in operating expenses in the consolidated statement of comprehensive income.

An item of property, plant and equipment is derecognized upon disposal or retirement when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on disposal or retirement of an item is determined as the difference between the net proceeds on disposal, if any, and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income when the item is derecognized.

Items of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in operating expenses in the consolidated statement of comprehensive income.

Intangible assets

The Corporation records an internally generated intangible asset arising from the development of software once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of an application are capitalized if all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use.
- The intention to complete the intangible asset and use it.
- The ability to use the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of directly attributable costs incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally generated intangible assets are measured at cost less accumulated amortization and any impairment losses and are amortized on a straight-line basis over their estimated useful lives, which range from three to eight years. The estimated useful lives, residual values and depreciation methods are reviewed annually at the end of the year, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization of intangible assets is included in operating expenses in the consolidated statement of comprehensive income.

An internally generated intangible asset is derecognized upon disposal or retirement when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on disposal or retirement of an item is determined as the difference between the net proceeds on disposal, if any, and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income when the item is derecognized.

The Corporation considers potential indicators of impairment at the end of each reporting period. If any indication of impairment exists, the recoverable amount of the asset is estimated to determine the extent of the loss. Intangible assets that are not yet available for use are tested for impairment annually, irrespective of the presence of indicators, by comparing carrying amounts to recoverable amounts. Impairment losses are included in operating expenses in the consolidated statement of comprehensive income.

Trade and other payables

Trade and other payables are measured at amortized cost in the consolidated statement of financial position. The carrying amounts of trade and other payables approximate fair value due to their short term to maturity.

Provision for insurance losses

Provisions are to be recognized when the Corporation has a present obligation as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Corporation has a stand-ready obligation to provide insurance against the loss of part or all of deposits in a member institution and to act as the resolution authority in the event of failure. The provision for insurance losses represents the Corporation's best estimate of the consideration required to settle this obligation and is determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* The estimate takes into account the risks and uncertainties surrounding the obligation.

Increases to the provision for insurance losses are recognized as an expense in the consolidated statement of comprehensive income, while decreases to the provision are recognized as income in the consolidated statement of comprehensive income.

Premium revenue

Premium revenue is recognized at the fair value of the consideration received against deposit insurance services and reported as income proportionately over the fiscal year. Premiums are legislated by the CDIC Act and are determined annually based on the amount of insured deposits held by member institutions as at April 30 of the current fiscal year, and they are payable in two equal installments on July 15 and December 15.

Premium rates are fixed annually considering the Corporation's financial condition, the economic environment, the risk profile of the membership, and the actual and projected size of the Corporation's ex ante funding relative to the minimum target level. No refunds are permitted under the CDIC Act except for instances of overpayment.

Other revenue

Other revenue includes payments received for sub-lease income and certain interest income.

Leases

At the inception of a contract, the Corporation determines if a contract, or part of a contract, contains a lease. A contract contains a lease if it conveys the right to use an identified asset for a period of time in exchange for consideration. The Corporation uses the following criteria to assess whether a contract conveys the right to control the use of an identified asset:

- The Corporation has the right to obtain substantially all of the economic benefits from the use of the identified assets.
- The supplier does not have the substantive right to substitute the asset through the period of use.
- The Corporation has the right to direct the use of the identified asset.

For a contract that contains multiple lease components or one or more lease components and non-lease components, the Corporation allocates, at inception, the consideration in the contract to each lease or non-lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease component.

At the commencement of a lease, the Corporation recognizes a right-of-use asset and a lease liability.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date, and the cost of dismantling and removing the asset, including the cost of restoring the site less any lease incentives received. These recognized assets are depreciated on a straight-line basis over the shorter of its estimated useful life consistent with those of property, plant and equipment and the lease term, unless the Corporation is reasonably certain to obtain ownership of the leased asset at the end of the lease term.

Lease liabilities

Lease liabilities are measured at the present value of lease payments to be made over the lease term discounted using the interest rate implicit in the lease, unless it cannot be readily determined, in which case the Corporation's incremental borrowing rate is used. The lease payments include fixed payments less any lease incentives, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option or penalties for terminating a lease reasonably certain to be exercised or terminated by the Corporation. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

The lease liability is subsequently measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.

Short-term leases and leases of low-value assets

The Corporation applies the short-term lease recognition exemption to contracts with no purchase option with a lease term of 12 months or less from the commencement date of the contract. The Corporation also applies the low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Public Service Pension Plan

All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Pension Plan. Consequently, contributions are recognized as an operating expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

Income taxes

Income tax expense represents the sum of the current and deferred tax expenses.

Current tax is recognized in net income except to the extent that it relates to items recognized in other comprehensive income or directly in equity. The tax currently payable/receivable is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statement of comprehensive income because of items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax is calculated using tax rates and income tax laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. Deferred tax relating to actuarial gains and losses on defined benefit obligations is recognized directly in retained earnings as other comprehensive income.

3—Application of new and revised International Financial Reporting Standards (IFRS)

New and revised IFRS issued

IFRS 17 Insurance Contracts (IFRS 17)

IFRS 17 was issued in May 2017 and establishes recognition, measurement, presentation and disclosure requirements of insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The standard was stated to be effective for annual periods beginning on or after January 1, 2021. However, in June 2019, the International Accounting Standards Board (IASB) issued an Exposure Draft containing proposed amendments responding to concerns and implementation challenges raised by stakeholders.

On June 25, 2020, IASB's Board issued amendments to IFRS 17 and deferred the effective date to annual reporting periods beginning on or after January 1, 2023. The Corporation has assessed the standard and amendments and concluded IFRS 17 is not applicable to the Corporation's financial statements.

New and revised IFRS issued but not yet effective

IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: In February 2021, the IASB issued Disclosure of Accounting Policies (amendments to IAS 1 and IFRS Practice Statement 2) with amendments that are intended to guide preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. We do not anticipate that the adoption of these amendments will have a significant impact on our consolidated financial statements.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors: In February 2021, the IASB issued Definition of Accounting Estimates, amendments to IAS 8. The amendments guide entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. We do not anticipate that the adoption of these amendments will have a significant impact on our consolidated financial statements.

4—Investment securities

| | Remaining term to maturity | | | | |
|--------------------------------------|----------------------------|----------------------|-----------------|-----------|--|
| As at March 31, 2023 (C\$ thousands) | 90 days or less | 91 days to 1 year | 1 to 5 years | Total | |
| Bonds | 688,139 | 1,069,646 | 6,325,952 | 8,083,737 | |
| Weighted average effective yield (%) | 2.46 | 2.22 | 1.77 | 1.88 | |
| Treasury bills | 39,942 | _ | _ | 39,942 | |
| Weighted average effective yield (%) | 4.42 | _ | _ | 4.42 | |
| Total investment securities | 728,081 | 1,069,646 | 6,325,952 | 8,123,679 | |
| Weighted average effective yield (%) | 2.57 | 2.22 | 1.77 | 1.90 | |

| | Remaining term to maturity | | | | |
|--------------------------------------|----------------------------|----------------------|-----------------|-----------|--|
| As at March 31, 2022 (C\$ thousands) | 90 days or less | 91 days to 1 year | 1 to 5 years | Total | |
| Bonds | 422,714 | 915,117 | 5,923,918 | 7,261,749 | |
| Weighted average effective yield (%) | 1.28 | 1.68 | 1.32 | 1.36 | |
| Total investment securities | 422,714 | 915,117 | 5,923,918 | 7,261,749 | |
| Weighted average effective yield (%) | 1.28 | 1.68 | 1.32 | 1.36 | |

The carrying amounts in the above tables include accrued interest.

Fair value of financial instruments

The following tables provide the estimated fair value of the Corporation's financial instruments. Fair values are measured and disclosed in relation to the fair value hierarchy (as discussed in Note 2) that reflects the significance of inputs used in determining the estimates.

| | | | Fair values | | | |
|--------------------------------------|----------------|---------------------------|-------------|-----------|---------|-----------|
| As at March 31, 2023 (C\$ thousands) | Amortized cost | Unrealized gain (loss) | Level 1 | Level 2 | Level 3 | Total |
| Bonds | 8,083,737 | (261,324) | 5,629,815 | 2,192,598 | _ | 7,822,413 |
| Treasury bills | 39,942 | _ | 39,942 | _ | _ | 39,942 |
| Total investment securities | 8,123,679 | (261,324) | 5,669,757 | 2,192,598 | _ | 7,862,355 |

| | | | Fair values | | | |
|--------------------------------------|----------------|------------------------|-------------|-----------|---------|-----------|
| As at March 31, 2022 (C\$ thousands) | Amortized cost | Unrealized gain (loss) | Level 1 | Level 2 | Level 3 | Total |
| Bonds | 7,261,749 | (203,291) | 5,089,383 | 1,969,075 | _ | 7,058,458 |
| Total investment securities | 7,261,749 | (203,291) | 5,089,383 | 1,969,075 | _ | 7,058,458 |

The Corporation's total investment income was \$125,274 thousand for the year ended March 31, 2023 (2022: \$92,628 thousand). The Corporation did not recognize any fee income or expense for the year ended March 31, 2023 (2022: nil).

Changes in valuation methods may result in transfers into or out of Levels 1, 2 and 3. No transfers occurred during the year ended March 31, 2023 (2022: nil).

The Corporation did not record any loss allowances on its investment securities at March 31, 2023 (2022: nil).

5—Right-of-use assets and lease liabilities

The Corporation leases office space in Ottawa and Toronto, the term of which ends in September 2030 and October 2026, respectively, each with an option to renew for an additional five years. The extension options for the Ottawa and Toronto offices are exercisable solely at the discretion of the Corporation. The Corporation also leases equipment under a five-year term ending in May 2025.

Carrying value of right-of-use assets

| (C\$ thousands) | Leased office space | Equipment | Total |
|--------------------------|---------------------|-----------|---------|
| Cost | | | |
| Balance, April 1, 2021 | 12,487 | 78 | 12,565 |
| Additions | 1,381 | _ | 1,381 |
| Adjustments | (1,244) | _ | (1,244) |
| Balance, March 31, 2022 | 12,624 | 78 | 12,702 |
| Additions | 87 | _ | 87 |
| Adjustments | 36 | _ | 36 |
| Balance, March 31, 2023 | 12,747 | 78 | 12,825 |
| Accumulated depreciation | | | |
| Balance, April 1, 2021 | 2,832 | 33 | 2,865 |
| Depreciation | 1,167 | 10 | 1,177 |
| Balance, March 31, 2022 | 3,999 | 43 | 4,042 |
| Depreciation | 1,356 | 11 | 1,367 |
| Balance, March 31, 2023 | 5,355 | 54 | 5,409 |
| Carrying amounts | | | |
| Balance, March 31, 2022 | 8,625 | 35 | 8,660 |
| Balance, March 31, 2023 | 7,392 | 24 | 7,416 |

Carrying value of lease liabilities

| (C\$ thousands) | Leased office space | Equipment | Total |
|-------------------------|------------------------|-----------|---------|
| Balance, April 1, 2021 | 10,345 | 45 | 10,390 |
| Additions | 1,381 | _ | 1,381 |
| Finance charges | 173 | _ | 173 |
| Lease payments | (1,757) | (11) | (1,768) |
| Balance, March 31, 2022 | 10,142 | 34 | 10,176 |
| Additions | 87 | _ | 87 |
| Adjustments | 35 | _ | 35 |
| Finance charges | 163 | _ | 163 |
| Lease payments | (1,635) | (10) | (1,645) |
| Balance, March 31, 2023 | 8,792 | 24 | 8,816 |

Interest expense on lease liabilities of \$163 thousand (2022: \$113 thousand) was recorded in the statement of comprehensive income during the year ended March 31, 2023. The Corporation recognized no expenses related to short-term leases and the amount recognized for low-value assets during the year ended March 31, 2023, was insignificant. Cash payments for the interest portion of \$163 thousand (2022: \$173 thousand) and the principal portion of \$1,482 thousand (2022: \$1,594 thousand) of the lease liability were recognized in the statement of cash flows under operating activities and financing activities, respectively.

Maturity analysis for lease liabilities (undiscounted)

| (C\$ thousands) | Leased office space | Equipment | Total |
|---|---------------------|-----------|-------|
| Not later than one year | 1,390 | 11 | 1,401 |
| Later than one year and not later than five years | 5,132 | 12 | 5,144 |
| Later than five years | 2,825 | _ | 2,825 |
| Total | 9,347 | 23 | 9,370 |

6—Property, plant and equipment

| (C\$ thousands) | Computer hardware | Furniture and equipment | Leasehold improvements | Total |
|---------------------------|----------------------|-------------------------|---------------------------|--------|
| Cost | | | | |
| Balance, March 31, 2021 | 4,116 | 2,536 | 5,555 | 12,207 |
| Additions | 71 | _ | 240 | 311 |
| Balance, March 31, 2022 | 4,187 | 2,536 | 5,795 | 12,518 |
| Additions | 46 | 583 | 32 | 661 |
| Retirements and disposals | _ | (148) | (420) | (568) |
| Balance, March 31, 2023 | 4,233 | 2,971 | 5,407 | 12,611 |
| Accumulated depreciation | | | | |
| Balance, March 31, 2021 | 3,565 | 1,337 | 3,142 | 8,044 |
| Depreciation | 254 | 177 | 437 | 868 |
| Balance, March 31, 2022 | 3,819 | 1,514 | 3,579 | 8,912 |
| Depreciation | 146 | 167 | 385 | 698 |
| Retirements and disposals | _ | (117) | (334) | (451) |
| Balance, March 31, 2023 | 3,965 | 1,564 | 3,630 | 9,159 |
| Carrying amounts | | | | |
| Balance, March 31, 2022 | 368 | 1,022 | 2,216 | 3,606 |
| Balance, March 31, 2023 | 268 | 1,407 | 1,777 | 3,452 |

7—Intangible assets

| (C\$ thousands) | Software | Software under development | Total |
|--------------------------------|----------|----------------------------|--------|
| Cost | | | |
| Balance, March 31, 2021 | 14,950 | 257 | 15,207 |
| Additions—internal development | 627 | 1,893 | 2,520 |
| Transfers | 257 | (257) | _ |
| Balance, March 31, 2022 | 15,834 | 1,893 | 17,727 |
| Additions—internal development | 40 | 3,508 | 3,548 |
| Transfers | 210 | (210) | _ |
| Balance, March 31, 2023 | 16,084 | 5,191 | 21,275 |
| Accumulated amortization | | | |
| Balance, March 31, 2021 | 12,208 | _ | 12,208 |
| Amortization | 1,059 | _ | 1,059 |
| Balance, March 31, 2022 | 13,267 | _ | 13,267 |
| Amortization | 1,074 | _ | 1,074 |
| Balance, March 31, 2023 | 14,341 | _ | 14,341 |
| Carrying amounts | | | |
| Balance, March 31, 2022 | 2,567 | 1,893 | 4,460 |
| Balance, March 31, 2023 | 1,743 | 5,191 | 6,934 |

8—Provision for insurance losses

The provision for insurance losses represents CDIC's best estimate of the future outflow of economic benefits resulting from the Corporation's object to insure deposits held by member institutions in the event of failure. The estimate is based on an expected loss calculation and is subject to uncertainty surrounding the amount and timing of losses. As such, actual losses may differ significantly from estimates.

Changes in the provision for insurance losses are summarized as follows:

| As at March 31 (C\$ thousands) | Provision for insurance losses | | |
|--------------------------------|--------------------------------|--|--|
| Balance, March 31, 2022 | 1,900,000 | | |
| Changes in provision | 200,000 | | |
| Balance, March 31, 2023 | 2,100,000 | | |

The increase in the provision is primarily due to an increase in exposure to losses. The provision for insurance losses is calculated at its present value using a pre-tax, risk-free discount rate. The discount rate used in the calculation of the provision at March 31, 2023, was 3.02% (2022: 2.39%). The impact of the change in discount rate during the year resulted in a decrease to the provision of \$96 million (2022: \$110 million). Discount rate sensitivity analysis is performed by the Corporation as its impact on the provision for insurance losses is considered significant. An increase of 25 basis points in the discount rate will decrease the provision by \$25 million (2022: \$23 million decrease), while a decrease of 25 basis points in the discount rate will increase the provision by \$26 million (2022: \$23 million increase).

9—Financial instruments and financial risk management

Classification and measurement of financial instruments

The table below sets out the carrying amounts of the Corporation's financial assets and financial liabilities, all of which are measured at amortized cost in accordance with IFRS 9.

| As at March 31 (C\$ thousands) | 2023 | 2022 |
|--------------------------------|-----------|-----------|
| Cash | 15,712 | 22,726 |
| Investment securities | 8,123,679 | 7,261,749 |
| Trade and other receivables | 472 | 742 |
| Financial assets | 8,139,863 | 7,285,217 |
| Trade and other payables | 13,579 | 9,764 |
| Financial liabilities | 13,579 | 9,764 |

See Note 4 for additional information on the maturity and composition of the Corporation's investment securities.

Fair value of financial instruments

With the exception of investment securities, the carrying amounts of the Corporation's financial instruments measured at amortized cost approximate their fair values. The fair values of the Corporation's investment securities are disclosed in Note 4.

Financial risk management objectives

The Corporation's assets consist primarily of its investment securities. CDIC's investment strategy is based on two key principles: providing liquidity for intervention activities; and limiting credit and market risk to preserve principal. CDIC has a comprehensive risk management framework to evaluate, monitor and manage its risks. All risks, financial and other, are managed in accordance with an Enterprise Risk Management (ERM) Framework.

Formal policies are in place for all significant financial risks to which CDIC is exposed. The policies are reviewed at least annually in order to ensure that they continue to be appropriate and prudent. Significant financial risks that arise from transacting and holding financial instruments include credit, liquidity and market risks.

Credit risk

Credit risk is defined as the risk of loss attributable to counterparties failing to honour their obligation to CDIC, whether on- or off-balance sheet. CDIC's maximum exposure to credit risk is the carrying amount of cash, investment securities, and trade and other receivables held in the consolidated statement of financial position. None of the trade and other receivables are past due.

CDIC's Board Credit Risk Policy sets out, among other things, that the Board of Directors shall approve investment dealers, securities vendors, agents acting on behalf of CDIC, and others with whom the Corporation is authorized to transact with respect to financial transactions. Investments are to be held with approved creditworthy counterparties that must have a minimum credit rating from an external credit rating agency (Standard & Poor's or Moody's). CDIC cannot exceed Board-approved limits for transactions, by transactor, either individually or on a combined basis.

The Corporation's financial risk policies limit investments to the obligations of the Government of Canada and agent Crowns and the obligations of provincial governments or municipal financing authorities. Risk is further limited by setting a maximum amount for each investment. In addition, CDIC adheres to the *Minister of Finance Financial Risk Management Guidelines for Crown Corporations* in order to minimize its credit risk.

The following table summarizes the credit quality of CDIC's investment securities by credit rating.

| As at March 31 (C\$ thousands) | 2023 | 2022 |
|--------------------------------|-----------|-----------|
| AAA | 5,863,319 | 5,242,549 |
| AA+ | 339,098 | 365,419 |
| AA | 285,483 | 178,844 |
| AA- | 669,871 | 635,729 |
| A+ | 965,908 | 839,208 |
| Total investment securities | 8,123,679 | 7,261,749 |

CDIC may at times intervene in one capacity or another, in providing financial assistance to a troubled financial institution, either in the form of a loan, by guarantee or otherwise. The Corporation could also have to make payment to insured depositors in the event of a member institution failure. The latter action results in claims receivable by the Corporation. Realization on its claims is largely dependent on the credit quality and value of assets held within the estates of failed member institutions, thus exposing CDIC to additional credit risk. The Corporation remains closely involved in the asset realization process of these failed institutions in order to mitigate credit risk and minimize any potential loss to CDIC. As at March 31, 2023, CDIC has not provided any new financial assistance to a troubled financial institution either in the form of a loan, by guarantee or otherwise.

Liquidity risk

Liquidity risk is defined as the risk that funds will not be available to CDIC to honour its cash obligations, whether on- or off-balance sheet, as they arise.

Exposure to liquidity risk relates firstly to funding ongoing day-to-day operations. Potential cash requirements could also arise to fund payouts of insured deposits in the case of a member institution failure or to provide financial assistance for other member intervention activities. The Corporation's liquidity risk is subject to extensive risk management controls and is managed within the framework of policies and limits approved by the Board. The Board receives reports on risk exposures and performance against approved limits annually.

The Board Liquidity Risk Policy sets out, among other things, Management's responsibilities in managing the Corporation's portfolio of investment securities while respecting: 1) the parameters established under all of the financial risk policies; and 2) CDIC's mandate and statutory objects. The maturity profile of the portfolio is to be matched against maturing debt, if any, or any other cash outflow requirements and is also to comply with Board-approved term to maturity portfolio allocations.

The Corporation also has authority to borrow funds from the capital markets or from the Consolidated Revenue Fund. CDIC currently may borrow up to \$32 billion (2022: \$30 billion), subject to ministerial approval. Under the CDIC Act, the borrowing limit is adjusted annually to reflect the growth of insured deposits. If existing borrowing authorities are insufficient, CDIC could apply to Parliament, through an appropriation act. Further borrowing could also be provided through the *Financial Administration Act*, if necessary, to promote the stability or maintain the efficiency of the financial system in Canada. No amounts had been borrowed as at March 31, 2023, and March 31, 2022, respectively.

Market risk

Market risk is defined as the risk of loss attributable to adverse changes in the values of financial instruments and other investments or assets owned directly or indirectly by CDIC, whether on- or off-balance sheet, as a result of changes in market prices (due to changes in interest rates, foreign exchange rates and other price risks).

Principal exposures to market risk relate to the Corporation holding financial assets or liabilities where values are influenced by market conditions, such as its portfolio of investment securities. CDIC's main exposure to market risk is through interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk relating to its investment securities. CDIC manages its interest rate exposures with the objective of enhancing interest income within established risk tolerances while adhering to approved policies.

Since the Corporation's investment securities are measured at amortized cost, changes in market interest rates do not have a significant impact on the Corporation's net income. However, they would impact the fair value of CDIC's investment securities. The Corporation manages this interest rate risk by obtaining fair value information for the investment securities for internal reporting and financial risk management purposes. Interest rate stress scenarios are performed on a regular basis on the Corporation's investment securities to evaluate the potential impact of possible changes in market interest rates on the fair value of its investments. As a result, the Corporation obtains a clear picture of the extent of this interest rate risk exposure. The Corporation reports interest rate risk on a quarterly basis to the Chief Financial Officer and annually to the Audit Committee of the Board.

The following table shows the estimated impact that a 25 basis point increase and a 25 basis point decrease in market interest rates would have had on the disclosed fair value of the Corporation's investment securities at the end of the fiscal year.

| For the year ended March 31 | 2023 | 2022 |
|-----------------------------|-----------------------|-----------------------|
| 25 basis point increase | \$43 million decrease | \$42 million decrease |
| 25 basis point decrease | \$44 million increase | \$42 million increase |

Currency risk and other price risks

The Board Market Risk Policy sets out, among other things, Management's responsibility not to expose the Corporation to any material equity, foreign exchange or commodity related positions. CDIC cannot engage in trading financial instruments other than to meet its liquidity requirements, which are funding day-to-day operations and funding intervention solutions respecting member institutions. Expanded coverage of insured deposits to include foreign currency deposits creates an indirect exposure to foreign exchange risk. Foreign currency deposits would be converted to Canadian dollars at prescribed rates on the date of a member failure and aggregated with other deposits to determine the quantum of insured deposits. Such exposure is unhedged. The Corporation's exposure to other price risk and currency risk is insignificant.

10—Capital management

The Corporation's capital is comprised of *ex ante* funding. CDIC is not subject to externally imposed capital requirements. There has been no change in what the Corporation considers as capital, and management of capital was performed on a basis consistent with that of the preceding year.

The Corporation has determined that it is prudent to maintain an amount of advance or ex ante funding to absorb losses. The amount of such funding is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses. During the 2022/23 fiscal year the Corporation conducted a review of the ex ante funding framework and established a near-term ex ante fund target to exceed 85 basis points of insured deposits by the 2026/27 fiscal year.

At March 31, 2023, the near term ex ante fund target remains on track to exceed 85 basis points of insured deposits by the 2026/27 fiscal year.

Ex ante funding

| As at March 31 (C\$ thousands) | 2023 | 2022 |
|--|-----------|-----------|
| Retained earnings | 6,030,513 | 5,382,542 |
| Provision for insurance losses | 2,100,000 | 1,900,000 |
| Total ex ante funding | 8,130,513 | 7,282,542 |
| Total basis points of insured deposits | 75 | 71 |

11—Income taxes

The Corporation is subject to federal income tax. CDIC's primary source of taxable income is its interest income. From this amount, allowable expenditures are deducted in order to arrive at its net income for tax purposes. Under the provisions of the *Income Tax Act*, the Corporation's premium revenue is not taxable and the change in the provision for insurance losses is not deductible for tax purposes. In addition, recoveries of amounts previously written off are not taxable since the Corporation did not previously claim a deduction for tax purposes.

The following table sets out details of income tax expense recognized in net income.

| For the year ended March 31 (C\$ thousands) | 2023 | 2022 |
|--|--------|-------|
| Current income tax: | | |
| Current income tax expense | 11,240 | 6,267 |
| Adjustments in respect of current income tax of previous years | 12 | _ |
| Deferred tax: | | |
| Relating to the origination of temporary differences | (177) | (42) |
| Income tax expense recognized in net income | 11,075 | 6,225 |

The following table presents a reconciliation of the Corporation's recognized income tax expense to income tax expense based on the Canadian federal tax rate.

| For the year ended March 31 (C\$ thousands) | 2023 | 2022 |
|--|-----------|-----------|
| Net income before income taxes | 658,939 | 1,547,177 |
| Expected income tax at the 25% federal tax rate (2022: 25%) | 164,735 | 386,794 |
| Non-deductible adjustments: | | |
| Premium revenue | (203,681) | (193,080) |
| Increase (Decrease) in non-deductible provision for insurance losses | 50,000 | (187,500) |
| Other | 21 | 11 |
| Income tax expense recognized in net income | 11,075 | 6,225 |

The tax effects of temporary differences that gave rise to deferred assets and liabilities during the years ended March 31, 2023, and March 31, 2022, are as follows:

| As at March 31, 2023 (C\$ thousands) | Opening balance | Recognized in net income | Recognized in other comprehensive income | Closing balance |
|--|--------------------|--------------------------------|---|--------------------|
| Deferred tax assets | | | | |
| Remuneration payable | 47 | (26) | _ | 21 |
| Defined benefit obligations | 365 | (6) | (36) | 323 |
| Lease liability | 2,544 | (340) | _ | 2,204 |
| Deferred tax liabilities | | | | |
| Property, plant and equipment, and intangible assets | (1,080) | 238 | _ | (842) |
| Right-of-use assets | (2,165) | 311 | _ | (1,854) |
| Net deferred tax liability | (289) | 177 | (36) | (148) |

| As at March 31, 2022 (C\$ thousands) | Opening balance | Recognized in net income | Recognized in other comprehensive income | Closing balance |
|--|-----------------|--------------------------------|---|--------------------|
| Deferred tax assets | | | | |
| Remuneration payable | 44 | 3 | _ | 47 |
| Defined benefit obligations | 377 | 16 | (28) | 365 |
| Lease liability | 2,597 | (53) | _ | 2,544 |
| Deferred tax liabilities | | | | |
| Property, plant and equipment, and intangible assets | (896) | (184) | _ | (1,080) |
| Right-of-use assets | (2,425) | 260 | _ | (2,165) |
| Net deferred tax liability | (303) | 42 | (28) | (289) |

12—Premium revenue

Under CDIC's *Differential Premiums By-law*, members are classified into four different categories based on a system that scores them according to a number of criteria or factors. The premium rates in effect for the 2022/23 fiscal year are as follows:

Premium category

| (basis points of insured deposits) For the year ended March 31 | 2023 | 2022 |
|--|------|------|
| Category 1 | 7.5 | 7.5 |
| Category 2 | 15.0 | 15.0 |
| Category 3 | 30.0 | 30.0 |
| Category 4 | 33.3 | 33.3 |

Premium revenue of \$814,723 thousand was recorded during the year ended March 31, 2023 (2022: \$772,318 thousand). Premium revenue is higher year over year mainly due to an increase in total insured deposits held at member institutions.

13—Operating expenses

The following table provides details of total net operating expenses of the Corporation for the years ended March 31, 2023, and March 31, 2022.

| For the year ended March 31 (C\$ thousands) | 2023 | 2022 |
|---|--------|--------|
| Salaries and other personnel costs | 34,880 | 31,431 |
| Professional and other fees | 22,647 | 16,958 |
| General expenses | 3,795 | 2,965 |
| Premises | 2,489 | 2,436 |
| Data processing | 6,993 | 4,520 |
| Depreciation and amortization | 1,776 | 1,927 |
| Depreciation on right-of-use assets | 1,367 | 1,177 |
| Interest expense on lease liabilities | 163 | 113 |
| Public awareness | 7,101 | 6,450 |
| Total operating expenses | 81,211 | 67,977 |

14—Related party disclosures

The consolidated financial statements incorporate the financial statements of the Corporation and the financial statements of ACC, a structured entity controlled by the Corporation. Balances and transactions between the Corporation and ACC have been eliminated on consolidation and are not disclosed in this Note.

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation has transacted with related parties through both the provision and receipt of various services. Such transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The following disclosure is in addition to the related party disclosure provided elsewhere in these consolidated financial statements. All material related party transactions are either disclosed below or in the relevant notes.

During the year ended March 31, 2023, CDIC recognized an amount of \$3,357 thousand (2022: \$2,874 thousand) against pension expenses paid into the Public Service Pension Plan. All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. See Note 16 for further details.

Key Management personnel

Key Management personnel include all members of the Board of Directors and Corporate Officers who have the authorities and responsibilities for planning, directing and controlling the activities of the Corporation.

Compensation of key Management personnel was as follows:

| For the year ended March 31 (C\$ thousands) | 2023 | 2022 |
|--|-------|-------|
| Wages, bonuses and other short-term benefits | 2,694 | 2,646 |
| Post-employment benefits | 784 | 566 |
| Total key Management personnel remuneration | 3,478 | 3,212 |

15—Contingencies and commitments

There were no claims pending against the Corporation as at March 31, 2023.

The Corporation has commitments for contractual arrangements for services. As at March 31, 2023, these future commitments are \$39,138 thousand (2022: \$22,698 thousand).

16—Employee benefits

| For the year ended March 31 (C\$ thousands) | 2023 | 2022 |
|---|-------|-------|
| Defined benefit obligations | 1,291 | 1,461 |
| Employee benefits | 1,291 | 1,461 |

The Corporation's employees receive a number of employee benefits, including membership in the Public Service Pension Plan and defined benefit plans.

Public Service Pension Plan

All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established and governed by the *Public Service Superannuation Act* and sponsored by the Government of Canada. Pension benefits are based on salary, pensionable service, age and reason for termination. Contributions to the Pension Plan are required from both the employees and the Corporation. As required under present legislation, the contributions made by the Corporation to the Pension Plan are 5.29 times (2022: 5.91 times) the employees' contribution on amounts of salaries in excess of \$196 thousand (2022: \$191 thousand). For amounts on salaries below \$196 thousand (2022: \$191 thousand), the Corporation's contribution rate is 1.02 times for employment start dates before January 1, 2013, and 1.00 times for employment start dates after January 1, 2013 (2022: 1.02 times for start dates before January 1, 2013, and 1.00 times for start dates after January 1, 2013).

For employees with employment start dates before January 1, 2013, an unreduced pension benefit can be received at age 60 with at least two years of pensionable service (or at age 55 with 30 years of service). For employees with employment start dates after December 31, 2012, an unreduced pension benefit can be received at age 65 with at least two years of pensionable service (or at age 60 with 30 years of service).

In the consolidated financial statements of the Corporation, the Pension Plan is treated as a defined contribution plan. The Corporation's expense in relation to the Pension Plan is provided in Note 14. The estimated expense for fiscal 2023/24 is \$4,059 thousand. There is no contractual agreement or stated policy for charging the net defined benefit cost of the Pension Plan to CDIC; the only obligation of the Corporation with respect to the Pension Plan is to make the specified contributions.



Part 3 Corporate governance

CDIC is committed to a strong governance framework. This section of our Annual Report presents information about the CDIC Board of Directors, including its committees and Director attendance, and outlines how CDIC works to meet public service expectations of good governance.

CDIC completed a comprehensive review of the Corporation's governance structure and practices to ensure they continue to be forward-looking and world class. The review resulted in innovative changes to CDIC's Board and Committee Charters, its Governance

More about governance

For additional information on how CDIC is governed, including information about Board and Committee Charters and Directors, please visit our website at www.cdic.ca.

Framework, by-laws and risk policies, all of which position the Board and Management for current and future success in risk identification and mitigation, as well as overall strategic decision making.

Board of Directors

CDIC's Board of Directors is made up of:

- A Chairperson
- Six other private sector Directors
- Six ex officio Directors:
 - The Governor of the Bank of Canada
 - The Deputy Minister of Finance
 - The Commissioner of the Financial Consumer Agency of Canada (FCAC)
 - The Superintendent of Financial Institutions
 - A Deputy Superintendent of Financial Institutions or another officer of the Office of the Superintendent of Financial Institutions (OSFI) as appointed by the Minister of Finance
 - The Chief Executive Officer (CEO) of Canada Deposit Insurance Corporation (CDIC)

In accordance with the *Canada Deposit Insurance Corporation Act* (the CDIC Act), the *ex officio* Directors, except for the CEO and the Deputy Superintendent of Financial Institutions, may designate individuals as Alternates, who are deemed to be members of the Board of Directors when acting on their behalf.

In 2022, the CDIC Act was amended to include the CEO as a Director on the Board. This amendment aligns with best practices and with the Boards of other Crown corporations and financial institutions. The CDIC Act was also amended to add an additional private sector Director to the Board's composition, to maintain the balance between public and private sector Directors.

CDIC's Board of Directors is responsible for the overall stewardship of the Corporation and ensures that significant business risks are identified and well-managed. The Board's commitment to effective stewardship and its overall mandate are outlined in its Charter. An overview of the composition of CDIC's Board of Directors and of its supporting committees follows.

Board of Directors composition

as at March 31, 2023

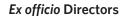


Robert O. Sanderson Chair June 2016-July 2025

Private sector Directors



J. Martin Castonguay Chartered Professional Accountant Montréal, Québec May 2019-May 2023





Tiff Macklem Governor Bank of Canada Effective June 2020

Alternates (for ex officio Directors)



Carolyn Rogers Senior Deputy Governor Bank of Canada Designated as Alternate: June 2022



Linda Caty Lawyer Carignan, Québec June 2018-June 2024



Michael Sabia Deputy Minister Department of Finance Effective December 2020



Isabelle Jacques Assistant Deputy Minister Department of Finance Designated as Alternate: September 2021



David Dominy Business Executive Edmonton, Alberta June 2018-June 2022 Continues in office until an appointment is made



Judith Robertson Commissioner Financial Consumer Agency of Canada Effective August 2019



Frank Lofranco Deputy Commissioner Financial Consumer Agency of Canada Designated as Alternate: September 2021



Vacant

Andrew Kriegler Financial Executive Toronto, Ontario Sept. 2018-Sept. 2022 Continues in office until an appointment is made



Peter Routledge Superintendent of Financial Institutions Office of the Superintendent of Financial Institutions Effective June 2021

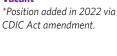


Ben Gully Deputy Superintendent Office of the Superintendent of Financial Institutions Effective October 2022



Leah Anderson President and CEO Canada Deposit Insurance Corporation Effective June 2022

*Wendy Millar resigned effective June 18, 2021. Vacant



Board committees

Three standing committees support the Board in its activities: the Audit Committee, the Governance and Human Resources Committee, and the Risk Committee.

Audit Committee

The Audit Committee assists with the Board's oversight of the integrity of CDIC's financial statements; the financial reporting process; the systems of internal accounting and financial controls; the performance of CDIC's internal audit function; and the performance of any special examinations pursuant to the *Financial Administration Act*.

Composition

- J.M. Castonguay (Chair)—Member since June 2019; Chair since August 2021
- **D. Dominy**—Member since August 2018
- A. Kriegler—Member since September 2018; Chair from April 2019 to August 2021
- J. Robertson—Member since September 2019

Governance and Human Resources Committee

The Governance and Human Resources Committee assists with the Board's oversight of corporate governance issues, ensuring that appropriate processes, structures and information necessary for effective direction are in place to contribute to the success of CDIC. The Committee also assists with: succession planning for the Board Chairperson, non-ex officio Directors, the President and CEO, and senior Management; the review and recommendation of annual objectives for, and the performance and annual evaluation of, the President and CEO; and key human resources and compensation policies, processes and strategies, including those relating to employee business conduct and ethical behaviour.

Composition

- L. Caty (Chair)—Member since March 2019; Chair since August 2021
- J.M. Castonguay—Member since September 2019
- **D. Dominy**—Member since March 2019; Chair from March 2019 to August 2021
- P. Routledge—Member since August 2021
- R.O. Sanderson—Member since March 2019

Risk Committee

The Risk Committee assists with the Board's oversight of CDIC's Enterprise Risk Management Framework as well as CDIC's identification, assessment, management and recording of key risks, including strategic, preparedness, operational, financial, organizational and reputational risks, which could impact CDIC's ability to carry out its mandate.

Composition

- A. Kriegler (Chair)—Member since March 2019; Chair since August 2021
- L. Caty—Member since March 2019
- **B. Gully**—Member since October 2022
- **D. Dominy**—Member since March 2021
- T. Macklem—Member since July 2020

Board and committee meetings and attendance

(April 1, 2022 to March 31, 2023)

Board members' attendance at the Board meetings and the Board committee meetings in respect of which they are members is summarized below.

| | | Board committees | | | |
|---|------------------------------------|---------------------------------|--|-------------------|--|
| | Board of Directors ^b | Audit Committee ^c | Governance and Human Resources Committee | Risk Committee | |
| Number of meetings ^a | 10 | 5 | 5 | 4 | |
| Attendance | | | | | |
| Private sector Directors | | | | | |
| R.O. Sanderson—Chair | 10 | 5 | 5 | 4 | |
| J.M. Castonguay | 10 | 5 | 5 | N/A | |
| L. Caty | 10 | N/A | 5 | 4 | |
| D. Dominy | 10 | 4 | 3 | 3 | |
| A. Kriegler | 10 | 5 | N/A | 4 | |
| Ex officio Directors (Alternates) | | | | | |
| Bank of Canada: T. Macklem (TM) (S. Kozicki [SK], C. Rogers [CR]) ^d | 7 (TM) 6 (SK) 4 (CR) | N/A | N/A | 2 (TM) | |
| Canada Deposit Insurance Corporation: L. Anderson | 10 | 5 | 5 | 4 | |
| Department of Finance: M. Sabia (MS) (I. Jacques [IJ]) | 0 (MS) 8 (IJ) | N/A | N/A | N/A | |
| Financial Consumer Agency of Canada: J. Robertson (JR) (F. Lofranco [FL]) | 10 (JR) 9 (FL) | 5 (JR) | N/A | N/A | |
| Superintendent of Financial Institutions: P. Routledge | 9 | N/A | 5 | N/A | |
| Deputy Superintendent of Financial Institutions: B. Gully ^e | 4 | N/A | N/A | 2 | |
| Directors who departed during the year | | | | | |
| Deputy Superintendent of Financial Institutions: J. Hubbs f | 5 | N/A | N/A | 2 | |

^a Also includes meetings attended virtually.

^b Includes, but is not limited to, Board Tabletop Simulation Sessions and a Board Strategic Planning Session.

^c The Chair is invited to Audit Committee and Risk Committee meetings as an observer but is not a Committee member.

d C. Rogers was appointed as Alternate effective June 23, 2022. S. Kozicki's term as Alternate ended on September 29, 2022.

^e B. Gully was appointed to the Board effective October 15, 2022.

f J. Hubbs retired from OSFI effective October 14, 2022, and by consequence ceased to be a Director on CDIC's Board.

Professional background of Board members—expertise and experience

| Board member ³ | Education/ Designations | Accounting | Comms | Crisis | Financial services | Governance/ Leadership | IT/ Fintech | Law | M&A/ Insolvency | Regulatory | Risk management | Talent management |
|---|-------------------------------------|------------|----------|----------|-----------------------|---------------------------|----------------|----------|--------------------|------------|--------------------|----------------------|
| Sanderson, Robert Chair, CDIC | BA, FCPA, FCA, FIIC, FCIRP (ret) | ~ | | ✓ | ✓ | ✓ | | | ✓ | √ | √ | √ |
| Anderson, Leah CEO, CDIC | BA, MA | | √ | ✓ | ✓ | √ | ~ | | | √ | √ | √ |
| Castonguay, J. Martin Director | BSc, BComm, CPA, ICD.D | √ | | ✓ | ✓ | √ | | | ✓ | √ | √ | √ |
| Caty, Linda Director | LLB | | ~ | √ | ✓ | √ | | √ | | √ | ✓ | ✓ |
| Dominy, David CEO, Firma Foreign Exchange Corp. | BA, MoM, ICD.D | √ | | ~ | √ | ✓ | ~ | | √ | √ | ~ | ~ |
| Gully, Ben Deputy Superintendent Supervision Sector, OSFI | MA, MSc, PhD | | | ~ | √ | ~ | | | | √ | ✓ | ✓ |
| Kriegler, Andrew President and CEO, IIROC | BSc, MBA | √ | | ~ | √ | ~ | | | | ✓ | ~ | ~ |
| Macklem, Tiff Governor, Bank of Canada | BA, MA, PhD | | √ | ~ | √ | ~ | | | | √ | ✓ | ✓ |
| Robertson, Judith Commissioner, FCAC | BA, MBA, CFA | √ | | | ✓ | √ | ✓ | | | ✓ | √ | √ |
| Routledge, Peter Superintendent, OSFI | BA, MBA | √ | √ | ✓ | ✓ | √ | | | ✓ | ✓ | ✓ | ✓ |
| Sabia, Michael Deputy Minister, Department of Finance | BA, M. Phil | √ | ~ | ~ | √ | ✓ | | | | √ | √ | √ |

Note: There are currently two vacancies for private sector Directors that have not been filled, following the resignation of W. Millar effective June 18, 2021, and the creation of an additional Director role, announced in the 2022 Budget, and brought into force June 23, 2022.

Directors' fees

In 2022/23, private sector Directors' fees for the performance of their services totalled \$226,520 (compared to \$218,669 in 2021/22).

| 2022/23—Fees for private sector Directors | | | | | |
|---|------------|--|--|--|--|
| R.O. Sanderson | \$ 131,000 | | | | |
| J.M. Castonguay | \$ 25,980 | | | | |
| L. Caty | \$ 26,400 | | | | |
| D. Dominy | \$ 23,040 | | | | |
| A. Kriegler | \$ 20,100 | | | | |
| Total | \$ 226,520 | | | | |

Corporate Officers

as at March 31, 2023

CDIC's Governance Council is comprised of its President and Chief Executive Officer (CEO), along with five Corporate Officers. The President and CEO is appointed by the Governor in Council, which also approves compensation for this position. CEO performance objectives are set and evaluated annually by the Board of Directors and submitted to the Minister of Finance. Corporate Officers are appointed by the Board of Directors. The Board also approves the salary range for these individuals.

CDIC's Corporate Officers are:

Leah Anderson

President and Chief Executive Officer

Angela Roberge

Vice-President, Corporate Affairs and Chief of Staff

Gina Byrne

Vice-President, Member Risk and Resolution

Michael Mercer

Vice-President, Depositor Solutions & Chief Data and Insurance Officer

Jordan Rosenbaum

Chief Financial Officer & Head of Business Integration

Christa Walker

Chief Legal Officer, Corporate Secretary & Head of Policy Integration

Corporate Officer compensation

| 2022/23 compensation range disclosure for Corporate Officers, as at March 31, 2023 | | | | | | |
|--|---------------------|---------------------|---------------------|--|--|--|
| Cash compensation ^{a,b} | President and CEO | Category 1 Officers | Category 2 Officers | | | |
| Base salary range | \$293,600-\$345,400 | \$205,934-\$302,021 | \$172,086-\$252,418 | | | |
| Incentive program range | 6.5%-26% | 0%-18% | 0%-13% | | | |
| Total compensation range per fiscal year | \$312,684-\$435,204 | \$205,934-\$356,384 | \$172,086-\$285,232 | | | |

| Perquisites program | | | | | |
|---|-------------------|---------------------|--|--|--|
| Item | President and CEO | Category 1 Officers | | | |
| Car allowance expense reimbursement ^c | \$12,000 | _ | | | |
| Health care spending account and financial planning services expense reimbursement ^d | \$12,000 | \$10,000 | | | |
| Comprehensive medical exams | \$3,648 | \$3,648 | | | |
| Total | \$27,648 | \$13,648 | | | |

^a The cash compensation does not report the actual salary and incentives paid to Officers but rather the range for their respective positions.

Treasury Board directive on travel, hospitality, conference and event expenditures

Disclosure of expenditures for travel, hospitality and conferences

Since 2010, CDIC has proactively disclosed on its website the travel and hospitality expenses for its senior executives, and the details are available within 30 days after the month of the reimbursement.

Since the first quarter of 2017/18, CDIC has also published the travel and hospitality expenses for the Chair of the Board of Directors and the private sector Directors.

Commencing with the 2016/17 fiscal year, the Corporation has disclosed the total annual expenditures for each of travel, hospitality and conference fees for the Corporation. The Corporation reviews its disclosures on a regular basis and makes changes when warranted.

These disclosures can be viewed on our website at www.cdic.ca.4

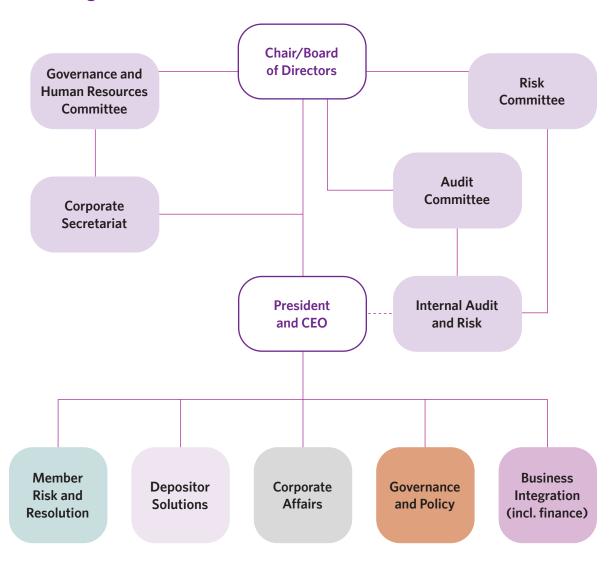
b As at March 31, 2023, Category 1 Officer roles included: Vice-President, Corporate Affairs and Chief of Staff; Vice-President, Member Risk and Resolution; and Vice-President, Depositor Solutions & Chief Data and Insurance Officer. Category 2 Officer roles included: Chief Financial Officer & Head of Business Integration; and Chief Legal Officer, Corporate Secretary & Head of Policy Integration.

^c These amounts represent the maximum allowance if receipts are submitted.

d These amounts represent the maximum allowance if receipts are submitted.

⁴ See: www.cdic.ca/about-us/reports-and-disclosure/disclosure/report-on-annual-expenses-for-travel-hospitality-and-conferences

CDIC's organizational structure



----- Denotes administrative reporting relationship



Appendix A 2023 Task Force on Climate-related Financial Disclosures Report

Summary

The Task Force on Climate-related Financial Disclosures (TCFD) was created by the Financial Stability Board and sets out a standardized framework for climate-related financial disclosures.

The TCFD published recommendations for disclosure with four core elements:

- 1) Governance—The organization's governance around climate-related risks and opportunities.
- **2) Strategy**—The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material.
- **3) Risk Management**—The processes used by the organization to identify, assess, and manage climate-related risks.
- **4) Metrics and Targets**—Disclosure of Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions. Disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

This is CDIC's inaugural set of disclosures to align with TCFD recommendations. These disclosures will evolve over time with greater information, data and lessons learned.

Recognizing that reducing its climate-related impact is important, CDIC places a focus on environmental considerations in respect of its operations. Our offices are located in LEED (Leadership in Energy and Environmental Design) certified buildings with easy access to public transportation. In 2021, CDIC became a member of the Chief Information Officer Strategy Council and adopted the Sustainable IT Pledge, a commitment to implement robust sustainable information technology (IT) practices to reduce the environmental impacts of its operations. CDIC's hoteling model and hybrid work options, combined with our move towards electronic records and paperless work also put us on the path to becoming a more environmentally friendly workplace. These activities will reduce CDIC's GHG emissions impact over the long term.

Pillar 1: Governance

CDIC has a well-established governance framework. CDIC's Board of Directors is responsible for the overall stewardship of the Corporation and ensures that significant business risks are identified and well-managed.

The Board of Directors has delegated oversight of CDIC's Environmental, Social and Governance (ESG) strategy and framework to the Governance and Human Resources Committee.

Designated members of CDIC's Executive Team are accountable for ESG and a working group has been established to develop and implement CDIC's approach to climate-related risks and opportunities.

Pillar 2: Strategy

CDIC's decision making is driven by its mandate, its operating environment, and the key risks it f aces. In response to these factors, CDIC will continue its focus on strategic and operational priorities, while proactively preparing and adapting to shifts in the economic, financial, environmental, and social landscape to deliver on its mandate as deposit insurer and resolution authority for CDIC member institutions.

CDIC is committed to supporting the Government of Canada's plan to achieve net zero emissions by 2050. CDIC is in process of developing its initial GHG inventory. The GHG inventory will serve as a baseline for informing emission reduction efforts that could contribute to the Government of Canada's commitment to achieve net zero emissions by 2050.

Pillar 3: Risk management

As outlined earlier in the report CDIC employs an Enterprise Risk Management (ERM) governance structure that emphasizes and balances strong central oversight and control of risk with clear accountability for, and ownership of, risk.

CDIC prioritizes risk mitigation in areas of highest risk to the achievement of CDIC's mandate and continuity of business operations. At this time, climate risk has not been identified as a high or material risk to the execution of CDIC's public purpose mandate, or the continuity of its operations.

As our understanding evolves—via information, data and lessons learned—around the materiality of climate-related risks to the execution of CDIC's mandate and operations, CDIC's ERM Framework will evolve with it and consider how the unique characteristics of climate risk may be integrated into our current ERM Framework.

Pillar 4: Metrics and targets

As noted above, CDIC is in process of developing its initial GHG inventory to serve as a baseline for informing emission reduction efforts that could contribute to the Government of Canada's commitment to achieve net zero emissions by 2050.

We have taken the initial step of measuring our operational emissions by defining boundaries for our Scope 1, 2 and 3 GHG profile considering relevancy, data availability, and feasibility of performing the calculations. In summary:

Scope 1 Emissions are direct emissions generated from activities owned or controlled by an organization, such as fuel combustion. As CDIC does not own facilities or fleets, Scope 1 Emissions are not applicable.

Scope 2 Emissions are indirect emissions generated from consumption of purchased electricity, heat, or steam. CDIC indirectly emits GHG emissions through the purchase of electricity, heating, and cooling from its leased office spaces in Ottawa and Toronto. CDIC's Scope 2 Operational Emissions are calculated using electricity consumption (kWh), gas and fuel consumption (M3), chilled water use, and HVAC leaks data.

| Scope 2—Indirect emissions | Total carbon emissions (tonnes of CO₂e) | | | |
|---|---|--|--|--|
| Energy consumed in leased office spaces | 49.4 | | | |

Scope 3 Emissions are other indirect emissions from upstream and downstream activities that an organization contributes to but does not control. These could include supplier emissions, purchased goods and services, business travel and investments.

Development of CDIC's Scope 3 Emissions inventory (including, but not limited to purchased goods and services, capital goods and travel) is currently under development.

CDIC has separately calculated emissions associated with its investment holdings. CDIC's approach to calculating financed emissions associated with its investments was in accordance with the Partnership for Carbon Accounting Financials (PCAF) standard. The PCAF methodology provides a global, standardized GHG accounting and reporting approach, to enable financial institutions to assess and disclose the GHG emissions of loans and investments. CDIC's investment portfolio is composed of Government of Canada securities, Canada Mortgage Bonds and provincial government bonds.

| Financed emissions (March 31, 2022) | | | | |
|-------------------------------------|---|--|--|--|
| Value of holdings (C\$ billions) | Total carbon emissions (thousand tonnes of CO₂e) | | | |
| \$7.3 | 1,856 | | | |

CDIC is not responsible for regulating climate risk at member institutions. As such, member institutions climate risk profiles and associated GHG emissions are out of scope and not contemplated under CDIC's Scope 3 Emissions.



Glossary

Bail-in: A tool that CDIC can use to resolve a domestic systemically important bank (D-SIB) in the event that it fails or is about to fail. In a bail-in resolution, CDIC would take temporary control or ownership of a failing D-SIB and convert all or some of its eligible liabilities into common shares in order to recapitalize the bank and help restore it to viability. During a bail-in resolution, a D-SIB would remain open and operating, maintaining the services it provides to its customers. (*Régime de recapitalisation interne*)

Basel III: Refers to the Basel III Accord, which was developed by the Basel Committee on Banking Supervision, in a response to deficiencies in financial regulation revealed by the global financial crisis. It is meant to strengthen bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage. (*Accord de Bâle III*)

Basis point: One basis point is equivalent to 0.01%. (*Point de base*)

Deposit: As defined in the *Canada Deposit Insurance Corporation Act* (the CDIC Act), a deposit is the unpaid balance of money received or held by a CDIC member institution from or on behalf of a person in the usual course of deposit-taking business for which the member:

- (a) is obliged to give credit to that person's account or is required to issue an instrument for which the member is primarily liable; and
- (b) is obliged to repay on a fixed day or on demand by that person or within a specified period of time following demand by that person, including any interest that has accrued or which is payable to that person. (*Dépôt*)

Domestic systemically important bank (D-SIB): A bank designated by the Superintendent of Financial Institutions whose distress or failure could have significant adverse effects on the Canadian financial system. Banks designated as such are subject to more intensive supervision and additional requirements to minimize the likelihood of failure. (*Banque d'importance systémique nationale (BISN)*)

Eligible deposit: Eligible deposits are held at a CDIC member institution and can include: savings and chequing accounts; Guaranteed Investment Certificates (GICs) and other term deposits; and foreign currency (e.g., U.S.\$). CDIC insures eligible deposits separately (up to \$100,000, including principal and interest) for each of the eight insured categories. (Products that are not eligible deposits include, for example: mutual funds, stocks and bonds, Exchange Traded Funds (ETFs) and cryptocurrencies.) (*Dépôt assurable*)

Environmental, Social and Governance (ESG): ESG criteria are a set of principles that are being adopted by organizations and investors to foster long-term sustainability. These factors measure the sustainability and ethical impact of a business or company. (*Principes environnementaux, sociaux et de gouvernance (ESG)*)

Ex ante funding: The accumulation of a reserve or fund to cover deposit insurance claims in anticipation of the failure of a member institution which, in the case of CDIC, is the aggregate of the retained earnings and the provision for insurance losses. (*Financement* ex ante)

⁵ The six designated D-SIBs are the Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada and Toronto-Dominion Bank.

Ex officio: Holding a second position or office by virtue of being appointed to a first. For example, when individuals are appointed to certain senior Government positions (Governor of the Bank of Canada, Superintendent of Financial Institutions, Deputy Minister of Finance, or Commissioner of the Financial Consumer Agency of Canada), they automatically become members of CDIC's Board of Directors, and continue as Directors as long as they hold those positions. (*Nommé* (ou membre) d'office)

Global systemically important bank (G-SIB): A bank that is designated to be so interconnected to the world's financial markets that its failure could pose a threat to the international financial system. The Financial Stability Board, in consultation with the Basel Committee on Banking Supervision, designates banks with the highest systemic risk scores as G-SIBs, based on size, interconnectedness, substitutability, complexity and cross-jurisdictional activities. A G-SIB must meet a higher risk-based capital ratio to enhance its resilience, and is subject to additional regulatory oversight and requirements for group-wide resolution planning and resolvability assessments. The resolvability of each G-SIB is reviewed annually using a high-level FSB Resolvability Assessment Process conducted by senior policy makers within the firms' Crisis Management Groups. (Banque d'importance systémique mondiale (BISM))

International Financial Reporting Standards (IFRS): Standards for accounting and reporting, developed and revised by the International Accounting Standards Board (IASB) to support reliable and relevant reporting that is understandable and comparable across international jurisdictions. IFRS have increasingly replaced national financial reporting standards. (*Normes internationales d'information financière* (*IFRS*))

Member institution: A bank, trust company, loan company, federal credit union, or an association governed by the *Cooperative Credit Associations Act* whose deposits are insured by CDIC. (*Institution membre*)

Payout: The process undertaken by CDIC to make deposit insurance payments to the insured depositors of a failed member institution. (*Remboursement des dépôts assurés*)

Premiums: The amount that is payable to CDIC by a member institution for deposit insurance coverage. It is calculated annually as a percentage of the total eligible insured deposits that are held by the institution as of April 30. CDIC has a differential premiums system in which institutions are classified in one of four premium categories. Institutions classified in the best premium category pay the lowest premiums. (*Primes*)

Provision for loss: The amount set aside on a balance sheet to provide for anticipated or possible loss or expenditure. CDIC maintains a provision for insurance losses that reflects the organization's best estimate of the losses it is likely to incur as a result of insuring deposits at member institutions. (*Provision pour pertes*)

Task Force on Climate-related Financial Disclosures (TCFD): The TCFD was created in 2015 by the Financial Stability Board to develop consistent climate-related financial risk disclosures for use by companies, banks and investors in providing information to stakeholders. (*Groupe de travail sur la divulgation de l'information financière relative aux changements climatiques (GTIFCC)*)

Tier 1 capital ratio: The ratio of a bank's core equity capital to its risk-weighted assets. (*Ratio de fonds propres de catégorie 1*)